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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 11730

MAY 15, 16, 17, 18, 21, 22, 23, 24, AND 25, 1962

Serial II

Printed for the use of the Committee on Agriculture

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II

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SUGAR

TUESDAY, MAY 15, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 10:20 a.m., pursuant to notice, in room 1310, New House Office Building, Washington, D.C., Hon. Harold D. Cooley, chairman, presiding.

Present: Representatives Cooley (chairman), Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Johnson of Wisconsin, Bass, Matthews, Breeding, McSween, Inouye, Harding, Hagan of Georgia, Purcell, Belcher, McIntire, Teague of California, Quie, Short, Mrs. May, Latta, Harvey, Findley, Dole, Beermann, Reifel, and Fernós-Isern.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We are delighted to have with us this morning Mr. Frank A. Kemp of Colorado who will speak on behalf of several groups.

I want, first, to congratulate the representatives of the domestic industry for what they have done to compose the differences within the industry and to agree upon, at least, some provisions of the bill which is now under consideration. I know, as do other members of the committee, how much work has gone into the building of this agreement. I know that for many long weeks and months, representatives of the various segments of the industry have conferred time and time again, and by the work of the representatives of the industry our work in the committee should be much easier. I think we have saved considerable time.

I want to ask the members of the committee, however, not to interrupt Mr. Kemp until he has submitted his prepared statement. After he has concluded I am certain that he will be glad to answer any questions which may be propounded to him.

(The following bills were considered by the committee: H.R. 8537, Mr. Poage; H.R. 9901, Mr. Saund; H.R. 11513, Mr. Rogers of Texas; H.R. 11611, Mr. Morris; H.R. 11706, Mr. Inouye; H.R. 11725, Mr. Abernethy; H.R. 11730, Mr. Cooley; H.R. 11738; Mr. Rogers of Texas; H.R. 11792, Mr. Boggs; H.R. 11800, Mr. Rogers of Florida; H.R. 11805, Mr. Willis; H.R. 12034, Mr. Nelsen. H.R. 11730 follows:)

[H.R. 11730, 87th Cong. 2d Sess.]

A BILL To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: By striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a)(1) for domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	*Short tons, raw value*
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas;

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 has exceeded the sum of the quota for such area for such year established under paragraph (1) of this subsection and the quota, if any, established under section 203 for such area, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962:

"(b) for the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

"(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the

sum of the quotas established pursuant to subsections (a) and (b) of this section;

"(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less seven hundred and nine short tons, raw value, for 1962 and less fourteen hundred and sixteen short tons, raw value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

"Country	*Per centum*
Cuba	88.85
Peru	3.73
Dominican Republic	3.31
Mexico	2.75
Nicaragua	.54
Haiti	.26
Netherlands	.14
China	.14
Panama	.14
Costa Rica	.14
Total	100.00

"(B) for the six-month period ending December 1962, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulations 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States a total of fourteen hundred and sixteen short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to any country with which the United States is not in diplomatic relations, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of any amount so determined need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest;

"(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that (i) sugar testing in excess of ninety-nine degrees polarization may be authorized for purchase to be further refined or improved in quality in the United States, and (ii) if the Secretary determines that raw sugar is not reasonably available, he may authorize for purchase for direct consumption such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States;

"(d) whenever in any year any foreign country with a qouta or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 302(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he may apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he may apportion such unfilled amount on such basis and to such foreign countries in dipolmatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 6. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calander year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e)(1) Not more than two hundred and fifty thousand short tons, raw value, of sugar of the proration established for Cuba under section 202(c)(3) for any calendar year may be filled by direct-consumption sugar subject to the provisions of paragraphs (4) and (5) of section 202(c).

"(2) The proration established for each foreign country, except Cuba, which receives a proration of more than ten thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the quantity determined by prorating among such countries, in the same ratio that each country's proration bears to the total of the prorations for such countries, the quantity determined by applying 1.36 per centum to the quotas for foreign countries established under paragraph (1) or (2) of section 202(c)(3). The proration or allocation established for each foreign country which receives a proration or allocation of ten thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 7. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble non-sugar solids of more than 5 per centum of the total soluble solids, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 8. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 9. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 10. A new section 213 is added and inserted immediately after section 212 of such Act as follows:

"SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) of sec-

tion 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

"(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most favored nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) and (5) of section 202(c).

"(c) As a condition for importing sugar into the continental United States pursuant to paragraph (3) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, 1964, 1965, 1966, and succeeding years, which fee in each year shall be respectively 20, 40, 60, 80, and 100 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), or whenever paragraph (4) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, 1964, 1965, 1966, and succeeding years shall be respectively 0.2, 0.4, 0.6, 0.8, and 1 cent per pound more than the import fee imposed on raw sugar under this paragarph.

"(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts.

SEC. 11. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate share with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar within proportionate shares when in effect, and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area

the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing."

SEC. 12. Section 404 of such Act is amended by inserting ", fees" after the word "penalties" in the second sentence thereof.

SEC. 13. Section 408 of such Act is amended by striking out "(a)" at the beginning thereof and by striking out all of subsection (b) thereof.

SEC. 14. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

SEC. 15. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 16. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" and inserting in lieu thereof "1967" and by striking out "1963" and inserting in lieu thereof "1968".

SEC. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 and section 10 shall each become effective upon the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

The CHAIRMAN. Now, Mr. Kemp, we will be glad to hear your presentation at this time.

STATEMENT OF FRANK A. KEMP, PRESIDENT, THE GREAT WESTERN SUGAR CO.

Mr. KEMP. Chairman Cooley and members of the committee, my name is Frank A. Kemp. I live in Colorado, have been employed in the beet sugar industry since 1923, and for more than 25 years have been president of The Great Western Sugar Co. I am a trustee of the U.S. Beet Sugar Association and a member of the legislative commitee of the organization within the established industry of growers and processors of sugarbeets in the United States. I have appeared before your commitee in support of sugar legislative proposals then being considered on three previous occasions—in 1947, in 1951, and in 1955.

I appear here today, however, not for my company or the beet sugar industry alone. I have the honor and the responsibility of appearing at the request and on behalf of all five of the domestic sugar producing and refining groups of the United States: (1) the sugarbeet growers and processors in 22 States from Michigan and Ohio to the Pacific coast, who together comprise the U.S. sugarbeet industry; (2) the sugarcane growers and processors of Louisiana and Florida; (3) the Hawaiian Sugar Planters Association; (4) the Association of Sugar Producers of Puerto Rico; (5) the U.S. Cane Sugar Refiners' Association, comprising practically all of the refiners of cane sugar in this country with refineries in 10 States, principally in coastal States from Massachusetts to Texas and California.

I also speak for a number of organizations of farmers in areas in which the beet sugar industry is not now located, but who are hopeful of the expansion of the industry into their territories.

Because of the safeguards included in the pending sugar legislative proposal and the unbroken record which the U.S. sugar system under a great variety of conditions for more than 25 years has made for a stable and ample supply of sugar at fair prices, and because of the deep conviction of the entire domestic sugar industry that the interests of consumers must be safeguarded in any sugar legislation, I can also say in effect that I speak on behalf of the great body of American users and consumers.

Each of the major groups for whom I speak embraces several organizations. To save the time of the committee, I will not read the full list attached to this statement, but with your permission, Mr. Chairman, I should like to have the names inserted at this place in the record.

The CHAIRMAN. Without objection that may be done.
(The list follows:)

DOMESTIC SUGAR ORGANIZATIONS FOR WHOM FRANK A. KEMP APPEARED

U.S. Sugar Beet Industry

Alma Sugar Beet Growers Association.
The Amalgamated Sugar Co.
American Crystal Sugar Co.
The Big Horn Basin Beet Growers Association.
Black Hills Beet Growers Cooperative Association, Inc.
Blissfield Sugar Beet Growers Association.
Buckeye Sugar Beet Growers, Inc.
Buckeye Sugars, Inc.
California Beet Growers Association, Ltd.
Caro Sugar Beet Growers, Inc.
Central Nebraska Beet Growers Association.
Croswell Sugar Beet Growers Association.
Findlay Sugar Beet Growers Association.
Finger Lakes [New York] Sugarbeet Growers Association.
Fremont Sugar Beet Growers Association.
Goshen County Cooperative Beet Growers Association.
The Great Western Sugar Co.
Gunnison Sugar, Inc.
High Plains Beet Growers Association.
Holly Sugar Corporation.
Idaho Sugar Beet Growers Association.
Layton Sugar Co.
Lower Snake River Sugar Beet Growers Association.
Mason City District Beet Growers Association.
Michigan Sugar Co.
Minnesota-Dakota Beet Development Association.
Monitor Sugar Beet Growers, Inc.
Monitor Sugar Division of Robert Gage Coal Co.
Montana-Wyoming Beet Growers Association.
The Mountain States Beet Growers Marketing Association of Colorado.
The Mountain States Beet Growers Marketing Association of Montana.
The National Sugar Manufacturing Co.
The Nebraska Non-Stock Cooperative Beet Growers Association.
North Dakota Farm Bureau.
Northern Montana Beet Growers Association.
Northern Ohio Sugar Co.
Northwest Nebraska Beet Growers Association.
Nyssa-Nampa District Beet Growers Association.
Redevelopment Area Organization of Cayuga County, N.Y.
Red River Valley Beet Growers Association.
Saginaw Sugar Beet Growers Association.
Sebewaing Sugar Beet Growers Association.
Southern Colorado Beet Growers Association.
Southern Minnesota Beet Growers Association.
Southern Red River Beet Development Association.
Spreckels Sugar Co.
Tri-County Beet Development Association of Minnesota.
Tri-County Sugar Beet Association of North Dakota.
Union Sugar Division, Consolidated Foods Corp.
Utah-Idaho Sugar Co.
Utah Sugar Beet Growers Association.
Washington Sugar Beet Growers Association.
Western Sugar Beet Growers Association.
The Western Colorado Beet Growers Marketing Association.
Western Montana Beet Growers Association.
Wisconsin Cooperative Sugar Beet Growers Association.

Mainland Sugarcane Industry

American Sugar Cane League.
Florida Sugar Producers.

Hawaiian Sugarcane Industry

Hawaiian Sugar Planters Association.

Puerto Rican Sugarcane Industry

Association of Sugar Producers of Puerto Rico.

U.S. Cane Sugar Refining Industry

U.S. Cane Sugar Refiners' Association.

Mr. KEMP. Few people realize how often and how thoroughly this committee has considered sugar legislation in the past quarter of a century. Commencing in 1934, sugar law has been before this committee on 11 separate occasions, in 5 of which there was extensive and unlimited presentation of every conceivable view on the subject. This committee is indeed an expert and informed body, thoroughly conversant with the many complexities of a very difficult subject.

Sugar legislation is a difficult subject in part because of the fundamental and basic competitions which exist in the practical world of sugar production and distribution, and also because of the conflict of views and ideologies inevitably found in any attempted appraisal of important trade and political relationships. It is no secret to anyone that possible terms for extending sugar legislation this spring have been widely, thoroughly, and repeatedly discussed for more than a year within the administration and administrative departments, within the various segments of the domestic producing and refining industry, by a very considerable number of the members of this House and of the Senate, and by a substantial number of the diplomatic and other representatives of sugar-producing countries in Latin America and, in fact, almost across the world. I dare say that there is not a member of this committee but has known of these extensive and extended discussions. I would like to express for all those for whom I speak their deep appreciation for the patient and enlightened consideration given to the questions involved by the members of this committee, particularly by your chairman and vice chairman, in fact by every committee member.

Yesterday, there was introduced by your committee chairman, H.R. 11730, which with a number of other measures concerning sugar and referred to this committee are before you for your consideration. I should like to discuss particularly some of the more important provisions of H.R. 11730. You are primarily interested in three major phases of this bill:

(1) What it provides with respect to basic shares or quotas of the U.S. market to the several segments of the domestic industry and the division of the remaining market among foreign countries.

(2) Its provision with respect to sharing of the growth of American consumption.

(3) The form, either raw or fully refined, in which the foreign share of the market shall be received.

The bill, if enacted into law, would provide that at a total consumption estimate of 9,700,000 tons, slightly under 60 percent of the U.S. market would be divided among the domestic areas as follows:

Beet sugar area	2,650,000
Mainland cane area	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

The bill contains the figures giving the shares of the domestic quota areas.

The bill provides that of the growth of the U.S. market above 9,700,000 tons, 63 percent would be awarded the domestic beet and mainland cane areas in proportion to their basic quotas, which is roughly about 3 to 1. The bill would also provide that if the production of Hawaii and Puerto Rico should at any time exceed the basic quotas established for such areas, their quota marketings would be increased to the maximum amounts permitted under present law.

Due to strikes in Hawaii and an unprecedented cycle of unfavorable weather in Puerto Rico, production of sugar from these two important domestic areas has been in recent years below their respective Sugar Act quota levels. The new bill would make clear that if, as is confidently hoped, production of the two offshore areas is restored to former levels, they would not sustain any loss of their quota rights and privileges under existing law.

The bill also deals with the form of a part of our sugar imports, a subject which I shall discuss later on in this statement.

As I am sure the members of this committee understand, a draft of the sugar bill now before you as H.R. 11730 was transmitted to Chairman Cooley by the Speaker with a covering letter from the Secretary of Agriculture. The bill represents the considered views of the executive departments as to the terms of the law that should be enacted prior to the expiration on June 30 of the present short Sugar Act extension.

The entire domestic industry is in agreement with the executive departments as to the basic quotas for the domestic areas and as to the rate of growth to be assigned to them, but as I shall explain, we are not in agreement with the proposal as to the form in which certain foreign sugar supplies shall be received in this country.

In pointing out the major issues that the committee must decide, it will be appropriate to comment briefly upon the competitions which caused them. The first great competition is a very obvious one—who should fill the U.S. sugar bowl and in what proportion should the supply be produced within the United States and what share should be imported by us from foreign countries.

If the provisions of the bill are followed, the new law would assure to foreign nations the right to supply slightly above 40 percent of the entire U.S. sugar requirement. That is an extremely large percentage of our market. There is no other commodity with which I am familiar as to which so large a right and share of our needs is guaranteed by law to foreigners. Mind you, this large share allotted foreign countries is not only permissive, but is is earmarked and set aside for them, and the domestic interests are prevented and prohibited from encroaching upon it.

It is no secret to the members of this committee that if approximately 40 percent of the U.S. sugar market is prescribed for foreign nations, the production ambitions of both the domestic mainland cane area and the domestic surgarbeet area will not be realized, and both of these areas will receive smaller shares, smaller quotas if you please, than they believe they are entitled to and believe would be in the national interest.

The provisions of H.R. 11730 represent a series of compromises. No single group received what it asked or thought proper, but each group, in a community of interest, in an honest attempt to simplify the problems of this committee and of the Congress, and in consideration of like sacrifices by others, agreed to endorse and accept—and the groups for whom I appear will approve and accept—the respective shares and quotas which the bill before you provides.

However, I should make clear, as was made clear by this committee in its report on an earlier Sugar Act, that—

The domestic areas consider that the distribution of the U.S. sugar market among the producers of the United States and foreign countries, and the provision for the establishment of quotas through the year 1966 on the basis provided for in the bill, are not intended to establish, and should not be construed as establishing, a permanent production and distribution pattern nor as waiving American producers' rights to such portions of the American market as they can and should supply at the conclusion of the period covered by the bill.

There is nothing more certain than change, and neither I nor anyone else has any crystal ball into which he can look to determine the conditions with which the Nation and the Congress will be confronted as time passes. If we have other facts to judge, if conditions appreciably change, the right of petition to legislative authority cannot and should not be foreclosed or estopped.

The quotas proposed for the domestic areas reflect a very interesting period of recent development within both of the mainland sugar industries. In Louisiana, and particularly in Florida, substantial expansion of cane growing and sugar production has taken place. It is expected that next year's crop will be considerably more than the quota provided in this act. Recent technological advances in both Louisiana and Florida assure a continued high level of production in the mainland cane area.

In the sugarbeet area there has been what in some respects is an almost fantastic improvement in beet yield, in the results achieved both in the field and in the factories. From an average national yield of beets of 13.04 tons per acre in the 5-year period ending 1948, the average yield for the 5-year period ending in 1961 was up 34 percent. The experts and agricultural scientists tell us that the industry is only on the threshold of achieving still greater productivity through improvement in seed, better and wider fertilization and other improved practices.

In part because of this evident improvement in result and in part because of acreage allotment restrictions on other crops—cotton and wheat, for example—there has arisen an insistent demand for the right to introduce sugarbeets into sections of the country in which the crop has not been grown. The breadth of this interest is astonishing. It comes from Maine, from Connecticut, from upper New York State, from Missouri, Indiana, sections of Kansas and Nebraska, Minnesota and North Dakota, the Great Plains of west Texas, from eastern New Mexico, from Arizona, from the Columbia River Basin in eastern Washington. Most of these areas have no processing facilities and in fact have never attempted cultivation of the beet crop except on an experimental basis. Yet it is not difficult to understand that these new

areas should be interested in another crop, in preventing decrease in farm income, in putting their acreage to a more beneficial use than the production of feed grains, that the finding of underground water bodies and other recent developments (such as has taken place in west Texas) should prompt them to ask, "If we are no longer to depend so largely for our sugar supply upon a communistic regime in Cuba, why should not the privilege of supplying at least part of that sugar be accorded by the U.S. Congress to U.S. citizens who wish to become sugar producers?"

On the other hand, the old beet growers who have maintained the industry over all the years of its existence have themselves been rigidly restricted in most recent years in the acreage they could plant. Understandably the old grower is reluctant to have his acreage cut back to accommodate a place for a newcomer. This competition between old and new areas is one of the facts to be considered. I am pleased to present to you the fact that all of the old and a number of the new areas support the provisions in the bill before you, and I submit their willingness as a fine example of good citizenship.

The bill resolves the difficult issue between old and new beet growers by providing that in order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations similar to those that have been pronounced, shall reserve each year from the national sugarbeet acreage such acreage as will yield up to 50,000 tons of sugar. In practical effect this will make possible the allotment of approximately the required acreage for a new factory each year and leave to the discretion of the Secretary the area or areas and the people to whom such rights are given.

Referring again to the proposal in the bill as to quotas for the domestic sugarbeet and mainland cane industries, it must be remembered that the new figures do not represent a clear gain of the exact difference between the old basic quotas and the new ones. This is true because under present law any deficits in production in Hawaii and Puerto Rico are handed over to the other domestic areas, and they have received in recent years large additions to their basic quotas through shortfalls in production in both of the island areas. At the consumption level of 9,700,000 tons, the domestic beet area's quota under the present law, with inclusion of reasonably predictable Puerto Rican and Hawaiian deficits, is 2,425,000 tons and that of mainland cane 750,000 tons. The increase recommended for the basic quota of the beet area is but 2.3 percent of total consumption, and that of the proposed mainland cane area only 1.5 percent.

It is true that the 55-percent share allotted under former law to the domestic areas in the growth and expansion of the market has been increased to 63 percent. But this is necessary to provide some production possibility to meet improved yields and to satisfy the insistent demands of new growers and new areas to share in sugar production. The figures actually represent a real surrender on the part of the domestic industry to the insistence of interests firmly intent upon protecting a large foreign supply.

It should be remembered that present law allots deficits in production of domestic areas to other domestic areas capable of filling them. However, in the light of the increase in the basic sugarbeet and main-

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land cane quotas in H.R. 11730, the bill provides that all deficits of all domestic areas be alloted in total to foreign countries.

That this is an important change is shown by the fact that in 1961 the domestic beet area's quota was increased by 431,000 tons because of the total deficits in Hawaii and Puerto Rico. The mainland cane area, because of such deficits, was permitted to market an additional 80,000 tons. Neither mainland area will be able to look to such deficits for quota enhancement in the future.

The committee may be interested in a very short explanation of the division of the growth of the market. Experts forecast that our population is increasing at a rate that requires at least 150,000 tons more sugar each year. From this, we arrive at the fact that 63 percent of the growth allotted to the domestic areas equals 94,500 tons. The total share of foreign countries will be increased by 37 percent, or 55,500 tons per year, not an inconsiderable addition to the foreign right to serve this market. Of the domestic addition through the growth of the market, the beet industry will receive approximately 70,635 tons annually and the mainland cane sugar area about 23,865.

As I have stated, there were three major issues to be resolved in the discussions between the domestic sugar industry and administration officials. Up to this point, I have discussed two, namely, basic quotas for domestic areas and the division of the growth of the market. Furthermore, I have indicated that the industry and the Government reached agreement on these two points and that the figures expressing this agreement are incroporated in the bill before you.

Another important competition to be resolved by the expected legislation is the question as to whether all imports should be in the form of raw sugar or in the form of sugar ready for final consumption. On this point, every element in the domestic industry urges the committee and the Congress to stipulate in the new law that the option be eliminated which formerly gave Cuba the choice of delivering a part of her quota in refined form rather than as raw supplies.

The elimination of this option was a key provision in the industry program. Without it, an accord could not have been reached.

Under the present act, Cuba had the option or the choice of importing 375,000 tons of her quota as direct-consumption sugar. She could choose to import her full quota as raw sugar, or she could choose to import 375,000 tons of it as refined. The impact of that choice on the refining industry in the United States is readily apparent—375,000 tons of raw cane sugar is denied to a domestic industry currently operating below capacity, in a business where volume is of vital importance.

Cuba's 375,000 tons of refined sugar is already temporarily eliminated since, by Presidential order, no Cuban sugar in any form is eligible for entry. The domestic industry proposes to make this pernent and regrets deeply that the administration has not agreed with us on this point. Elimination of this option or privilege will simply mean that henceforth all of the Cuban quota, as determined by this committee, will be imported in raw form.

The cane-sugar-refining industry employs about 18,000 people. Its annual payroll is in excess of $100 million. The average earning of production workers is approximately $2.80 an hour, in addi-

tion to which fringe benefit costs of as much as 72 cents an hour are added. Most refineries have granted their employees a guaranteed annual wage, a minimum of 2,000 hours (50 weeks at 40 hours a week) employment per year. There are more than 200,000 stockholders of the refining companies. Their average rate of return on sugar sales has been calculated to be 0.2 of a cent per pound. The approximate value of continental U.S. cane refining properties is about a half-billion dollars.

Actually, the refined sugar option has not been of great importance to Cuba anyway. The big value to Cuba and other countries was the quota right to sell raw sugar in this market. This is true because offshore white sugar usually cannot be sold at the same price as standard quality sugar. Ocean freight charges on refined sugar are much higher than on raws which can be transported in bulk. Handling costs are increased because of sanitation requirements. Total all such factors and the added increment of income on refined versus raw sugar amounts to very little for the importing country.

The making of raw sugar represents the major phase of the industrial potential in converting sugarcane to refined sugar. Here the ratio of jobs created to capital investment and operating expenditure is the highest.

For all these reasons, the entire domestic industry is united in its appeal to the Congress to remove the privilege formerly extended to Cuba to import a part of that quota in refined form.

I am delighted, as are all of those for whom I speak, that yesterday the vice chairman, Mr. Poage, announced that he would offer an amendment to eliminate the 375,000 tons of refined sugar previously supplied from Cuba. Adoption of this amendment will enable the entire domestic industry to support the three major domestic provisions of H.R. 11730.

The proposed bill runs until June 30, 1967. You may at some time want to consider whether any sugar act should terminate in the middle of the year. I am sure that subject will come before you in your deliberations.

I must emphasize as strongly as I can the need of the industry both in this country and abroad that some long-term pattern be established for the operation of the sugar properties supplying our needs. For some time, now, no one has known what the rules of the game would be for more than the immediate future. Millions of dollars' worth of plant betterment, of property and equipment renewals, of farm and plantation improvements, have hung fire for months, in fact years, because of uncertainty as to the sugar legislative outcome, arising out of the appearance of Mr. Castro and a number of other things beyond our control.

In the meantime, unfortunately, costs have increased. Betterments that could have been made to the benefit of the industry and the consumer have not been made, and they will not be made until the nature and terms of a new law are clear to all.

It is rumored that certain people with foreign interests have expressed the hope that only another short extension of the present law would be enacted. It has been generally considered that the background for this bad advice is to be found (1) in the hope in some quarters that developments of some kind throughout the world

might improve the position of the foreign interests involved; and (2) that certain foreign groups who have benefited from reallocations of Cuban quotas would like to have still another year under the present rules in order that they may dig a somewhat deeper foundation for a claim when a long-term bill is enacted.

On behalf of all of the domestic sugar interests and, I believe, on behalf of most of the foreign interests in our market, I urge you to disregard any pleas for another extension and that you act quickly in determining that a law should be enacted covering the whole term through the year 1966.

In its treatment of the domestic sugar problem, the proposed law does not depart materially from the system that has been in effect for 28 years. That system has been sound and successful. It accords full recognition of the rights and interests of consumers which have been fostered and protected throughout the history of sugar laws, and should be fostered and protected in any revision of them. The consumer has benefited through the stabilization of supply, through availability of ample supplies—and this at modest prices.

Proof of the soundness of the statute is found in the expressions of the Congress, of this committee, of a long list of public officials.

President Franklin Roosevelt, in a message to Congress on March 1, 1937, said, "The Jones-Costigan Act has been useful and effective and it is my belief that its principles should again be made effective."

In July of the same year, 1937, a memorable man, Chairman Marvin Jones, said in commenting on the Sugar Act passed by the Congress that year:

> The interests of the consumer have been fully safeguarded, the measure will prevent runaway prices that have sometimes prevailed when there was no regulation. It is the belief of the committee that no hardship to the consumer will result from its provisions, but that on the other hand, he will profit by a stabilized reasonable price.

In November of 1941 (another chairman of this committee), Chairman Fulmer of this committee said:

> In the 7 years in which it has been effective, sugar control has demonstrated its value. The industry has been stabilized, the income of farmers and workers has been improved, and the system has been a protection to consumers. * * * The program has been effective in time of peace and during a period of almost worldwide war.

Ten years later, in August of 1951, the chairman of this committee said, "The sugar acts have been of great benefit both to consumers and producers in stabilizing domestic sugar prices and production."

Turning to the administrative side, 4 years later, the Under Secretary of Agriculture testified before this committee that—

> The Sugar Act, widely recognized as successful farm legislation, is designed to make ample supplies of sugar available to consumers at reasonable prices, to maintain a healthy and competitive domestic sugar industry, and to promote our export trade. * * * By and large, the Sugar Act has brought stability to a commodity which was notable for erratic price, production, and marketing behavior in the years before quota legislation.

In July of 1955 (your own chairman), Chairman Cooley pointed out that:

> Price stability has helped assure adequate supplies to consumers and a market for a definite quantity of production to producers.

Again in May of 1956, Chairman Cooley said:

The Sugar Act is one of the most successful of our farm programs, in terms of benefits to producers and dependable supplies at stabilized prices for consumers.

The able chairman of this committee is an authority on legislation affecting agriculture. In a press release issued only yesterday, Mr. Cooley said:

The basic sugar program has worked well for many years and has accomplished its purposes, namely: (1) To make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) to permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

That the Sugar Act has consistently maintained a fair price on the commodity has been borne out by every impartial study made of sugar prices around the world. Two United Nations studies in recent years, for example, show that the sugar price to consumers in the United States, in terms of price per pound, is within a fraction of a cent of the average of sugar prices to consumers in more than 100 nations around the globe, and as measured in terms of buying power the price of sugar in the United States is the lowest in the world. It takes an American factory worker less time to earn the price of 1 pound of sugar than a similar workman in any other place on earth.

Stimulated by almost a worldwide determination to achieve complete or partial self-sufficiency in sugar production, many countries have a sugar system. The United States is not alone. Denmark, Sweden, the United Kingdom, and France, for example, also have sugar control programs. And I say with confidence that our system is a better system.

It has been something of a popular pastime among a few careless "authorities" to compare the price of raw sugar on the so-called world market with the price in the American market, and to claim the difference as the cost of the sugar program to the consumer or the taxpayer or someone else. This question has been dealt with affirmatively and convincingly by a very recent release by this committee.

In the committee print entitled "History and Operations of the U.S. Sugar Program," released for distribution only on May 14, 1962, it was said:

With the recent interest that has focused on the Sugar Act, there is an awareness that the domestic raw cane sugar price has normally been much higher than the so-called world market price for that commodity. Actually the terms "world price" and "world market" do not relate to a price or to market conditions typically prevailing throughout most of the world. On the contrary, these terms relate to the price and conditions under which residual quantities of sugar are traded. Only about 17 percent of the world's sugar production is traded on the "world market" and since this is essentially "surplus" or "homeless" sugar, it does not establish a true world price nor reflect the actual value of sugar.

The much-discussed difference between the so-called world price and the U.S. price is put into its true focus with great authority by this committee on page 14 of the same committee print:

The difference between the so-called world price and the U.S. price has on occasions been called the quota premium or, more popularly, the subsidy in our sugar program. This approach is carried even further to say that the amount

of protection or subsidy involved in the American sugar program is the amount of the difference between the two prices, multiplied by the amount of sugar purchased. This is an exaggerated statement of the protection afforded by the Sugar Act and is such an oversimplification of a basically complicated economic situation as to be misleading.

There is one other point on which I would briefly comment because there has been considerable discussion and a great deal of misconstruction of the so-called tax-and-payment system provided in sugar legislation. In the committee print of the Joint Economic Committee of the Congress on Subsidy and Subsidylike Programs of the U.S. Government, this was recently said with regard to the sugar program:

> The Sugar Act program for the fiscal years 1938 to 1959, inclusive, resulted in a net gain of $416.4 million. For the fiscal year 1956 the net gain was—

This is to the Treasury—

> $22.3 million; for 1957, $23.4 million; for 1958, $21.3 million; and for 1959, $24.1 million.

From time to time criticism is heard that the Sugar Act payment made to beet and cane farmers is in fact a subsidy. But these people overlook the fact that the payment to growers is to a large extent offset by the diversion to the Treasury through the tax of part of the sugar selling price the farmers would otherwise receive. The sugar farmer's return is reduced and a considerable part of what he receives through the Sugar Act payments merely replaces lost revenue out of higher prices otherwise realizable.

Studied conclusions of officials of the Department of Agriculture published many years ago made clear that it was the opinion of the experts of that agency that the excise tax on sugar of 50 cents per 100 pounds did not increase the price of the commodity in this market, but that the price level sprung from and was the result of the quota system stipulated in the legislation.

And it is frequently overlooked that one of the consequences of sugar legislation has been the reduction in the tariff on sugar, which was 2 cents against Cuba and 2½ cents per pound against full-duty countries when the first Sugar Act was adopted, to the present extremely low rate of one-half cent per pound. The total of the present tax and tariff against sugar is only one-half of the tariff in effect when the first sugar law was passed.

Division of the market through quotas may arouse the ire of orthodox believers in a completely free market. Yet, an analysis of the developments of the sugar market through one single year (1911–12) before our legislation was enacted, shows that the New York wholesale price of standard granulated sugar rose in 11 separate advances from the end of June to the end of September in that 1 year by a full 50 percent and then declined 11 times prior to the middle of the next January to a point approximately equal to the starting level. That 7 months' period with 22 changes in the price of sugar and a rise and ensuing decline of nearly 50 percent must have given the champions of a completely free, unrestricted, and unregulated market the opportunity to lick their chops. However, it must have been a little tough on some of the users and purchasing agents of that time. The many fluctuations that occurred did not lead to a greater use of sugar or to a greater security of business operation. On the contrary, maximum

consumption and maximum distribution must have been discouraged. The quota system has been a remarkable stabilizer to the complexities of the U.S. sugar world.

My statement has been pointed toward the major principles of the proposed legislation. The domestic industry may wish later to submit a supplemental statement covering some rather technical or subsidiary points for the purpose of clarification and to insure that all of the industry's views are presented to the committee.

Each of the five American producing and refining groups have instructed me to express to you their joint and separate endorsement and approval of the sections of the bill dealing with the domestic side of the sugar program. They have also asked that I express their earnest hope that those provisions (and the amendment that has been proposed on the question of Cuban rights) will receive your early and favorable consideration as the first and most important step in the enactment of a long-term law which will resolve doubts and permit the carrying out of the industry's operations without hazard and restriction because of legislative uncertainty.

I hope most sincerely that the committee will favorably consider the earnest plea of the domestic interests.

The CHAIRMAN. Thank you. I want to thank you very much for this splendid statement, Mr. Kemp. Before subjecting you to any questions, we will take about a 5-minute recess.

(A short recess.)

The CHAIRMAN. Mr. Kemp, I want to again thank you for this fine statement. I want to thank you and those who have worked with you so faithfully and diligently through the months in bringing agreement to the industry.

I introduced this bill and at the same time issued a press release which indicated that I could not support all of its provisions. I want to ask you a few questions, but I am not asking you to speak for anyone other than yourself. We have heard a lot of talk about global quotas which to me means no quotas at all. The program has worked so well so long that I hope this committee will not do anything that will endanger it. I am just afraid of this global quota proposal. I am afraid that it would be the opening wedge to the downfall and collapse of the program.

I have no right to speak for the committee, and I speak only for myself. I think this recapture of premiums we have heard so much talk about is a fallacious sort of thing and any consumer or taxpayer who looks at the record realizes, as you have pointed out in this statement, that the Treasury has been enriched as a result of this program to the extent of more than $400 million.

We have had an ample supply and a stable supply of sugar at reasonable prices in times of peace and in times of war, and I dislike the idea of tampering with a program that has worked well.

Now I would like you to tell us, if you will, your own personal views regarding the provisions of this bill which will result, if enacted, in global quotas and in a recapture of premiums. Are you free to express your own personal opinion on the global quota aspect of the legislation?

Mr. KEMP. Mr. Chairman, I cannot speak as a representative of the sugar interests for whom I appear in this statement that I presented,

because we were advised that it would be well for the domestic industry as such not to become involved in the foreign parts of the thinking that is going around here.

However, I have been in this business over 40 years, and I think among the people in this room I have had as much experience with sugar and the sugar market as anyone. I feel very strongly on these questions and I deeply appreciate the opportunity to express myself personally, which of course I must do.

I hope very much what I have to say about this will put some things in their right position before the members of this committee. In expressing my own personal views I want to make clear that they are based solely upon knowledge and experience in this business.

There are four phases to this problem and I would like to comment briefly on all four of them.

"Global quota," as the chairman has very aptly stated, means no quota at all. Now, you may say, well, this does not concern you: this concerns these foreign countries. It does concern us because, as the chairman has expressed, this will mean the destruction of this system. I am so confident of that that I am willing to stand up here and say so.

Now, what is the global quota? What will it do.

(1) It may induce dumping on the U.S. market at the beginning of each new quota period.

(2) It would disrupt the orderly marketing of sugar in the United States and thereby adversely affect domestic producers and sugar consumers.

(3) There has been a distinct advantage to this country, it must be clear to all, in the ability that this system has given us to favor selected friendly countries by assigned shares in our market. A global quota would destroy this advantage.

(4) Where we have given quotas we have had the right, and have used it, to ask the friendly recipients to assume some responsibility in maintaining stocks and supplies to cover our needs. We could not ask for this of anyone under a global quota.

(5) We have enjoyed an uninterrupted adequacy of sugar supply because of quotas granted and the price premiums realized in this market by foreign supplies. If the quota or the price premium is obliterated, assurance of adequacy of supply goes out the window with them.

I want to talk a little more about this world price. It is not so stated in the provisions of this bill, to which the chairman referred, but what they are talking about here is making people sell to us at the world price and to skim off the difference between that and the American price, depriving the sugar producer of that part of the normal revenue which he has received.

As has been pointed out, the so-called world market price is not a true measure of sugar value. It is a dumping price representing the sale of a relatively small part of world sugar production. For a considerable time now it has been influenced, if not actually set, by policies of Russia, Cuba, and Red China. Czarnikow, the great English authority, on October 19 last, stated:

> Nevertheless prices have fallen steadily until they must now be below the cost of production in any country in the world.

In a recent excellent pamphlet describing the distribution that actually takes place of sugar revenues in Mexico, it was said:

The world market prices are uneconomic and artificial—world market prices are actually lower than the cost of production for exporting countries.

A foremost American sugar authority stated within recent weeks: "No country in the world can produce and sell it [sugar] in the world market and make a profit."

And last year Sir Edmond Bacon, chairman of the British Sugar Corp., in his speech in New York made the following statement:

If the United States and the United Kingdom cease to give preferential treatment to producers of sugar, then I am convinced that a collapse of sugar prices would provide a further springboard in the Western Hemisphere for Communist designs.

Russian sugar production in 1961 was reported at above 8 million tons. If to this large total there be added the very considerable production of the Russian satellite countries, together with 4 to 5 million tons of Cuban sugar production, the total which Russia can control, if that country desires to use sugar as a weapon in the cold war, is very large indeed.

Remember, that there is only about 8 to 10 million tons of sugar sold on the so-called world market.

In a very recent edition of the best-known English sugar trade journal, three sales of Russian sugar were reported in a single week: 10,000 tons of refined to Libya, 2,000 tons of pressed cubes to Iran, and 1,400 tons of East Germany crystals to Malta.

A material part of the world market sugar supply is currently under control of the Soviet Union, and yet this proposal suggests that honest sugar people of the countries to the south of us should be compelled to take the world market as a measure of price that they must live on.

The price of sugar in this country is a fair price, confirming the fairness of the cost of foreign raw sugar sold here. Will we promote good will toward our country by compelling any foreign industry to sell to us at or below its cost of production? Are we wise in substituting for natural distribution of the sugar receipts in other lands, the judgment of some agency of the U.S. Government as to what should be done with the vital part of the foreign sugar industry's former sugar returns? Would we entertain the belief that Government in this country can decide what is a fair price, force its acceptance seize the excess, and distribute it at the Government's discretion?

You hardly pick up a paper nowadays in which you do not see that we are reducing tariffs in order to increase foreign trade and our own exports. Is it consistent to reduce tariffs to European countries and Japan, and at the same time, in effect, to increase them to the sugar-producing nations who supply us?

If we force aceptance of a drastically reduced price, will we not dislocate present sugar distribution patterns, cause economic dislocation in foreign countries, and hazard playing into the hands of Communist desires?

In my very earnest judgment the use of the so-called world price as a true measure of sugar value, as would be required were that measure stated by law to be a basic fair price, would destroy our present sugar system.

I do not believe that the imposition of a global quota and price recapture scheme will affect only foreign interests. In my judgment, it will be certain to drastically affect the price level in this country to the detriment, if not the destruction, of the American domestic industry.

It is no secret that at the present time large segments of the domestic industry hang on a very think margin at today's sugar price level in this country. Important sections of the domestic industry simply cannot stand any reduction in the U.S. sugar price level, and it is not fair that they do so. I believe that the global-quota, price recapture system will endanger the needed price upon which Dr. Fernós-Isern's great island, and Mr. Inouye's great State of Hawaii, and the whole domestic industry, depend. We need to be assured of our sugar requirements, and we will not have any such assurance under this proposed system.

The CHAIRMAN. I thank you very much for that expression of your views. I am glad the committee has had an opportunity to hear your statement.

I just want to ask one other question. I would like you to express your opinion as to the importance of the sugar program, and I would like you to tell us what would be the situation if this program should collapse or be abandoned?

Mr. KEMP. I think the fact, Mr. Chairman, that in almost every country in the world, some legislative system has been adopted to provide for the production of some of the required supply of sugar at home, and to see to it that it has a fair market, establishes beyond any doubt that our system, and the fact that we have a system, is not unique.

We are simply one of a great many nations who believe that a sugar system is in order. Now I cannot give you offhand the total value of the entire domestic sugar industry, but I can point out that this system has had about 28 years of test under every conceivable condition, a great war, partial war, cold war, and yet it has always given us enough sugar and it has always given us sugar at a fair price.

Now if that can be accomplished through the judgment of this committee and the Congress, it ought to be continued.

The CHAIRMAN. Without this program the domestic industry could not survive?

Mr. KEMP. It could not.

The CHAIRMAN. I thank you very much for your statement. Are there any questions?

Mr. TEAGUE. I have one, Mr. Chairman.

The CHAIRMAN. Mr. Teague.

Mr. TEAGUE. First, I would like to compliment Mr. Kemp on his statement. I support this bill and I support Mr. Poage's amendment. I am a little disturbed about one thing, however, and you touched on it a little bit. I do not know what I am going to do when our Trade Expansion Act, or the President's Trade Expansion Act, comes before us. I really do not.

Are we in an inconsistent position in passing this bill and then supporting the President's move toward complete free trade?

Mr. KEMP. Congressman Teague, it is my understanding that many of the principles of the Trade Act, that is now being considered by the

Ways and Means Committee, arise out of the formation of the European Common Market, and that we now are confronted by a series of facts that we have never had to act upon before.

I believe that the sugar program, because of the large share that is given foreign countries, and we guarantee them 40 percent, is accomplishing the very purpose that the President's Trade Act has in mind; namely, we provide for a large amount of international trade. And it is done deliberately and with malice aforethought by the Congress.

Mr. TEAGUE. I think that is a good answer, and probably the best possible answer to try to work out a reconciliation of two apparent different philosophies.

Thank you.

The CHAIRMAN. Mrs. May.

Mrs. MAY. Mr. Kemp, I too would like to compliment you on a very articulate presentation of a subject that oftentimes is difficult to clarify. I would like to ask, however, for some clarification of one or two points for the record.

On page 6 of your statement you quote from a report on an earlier Sugar Act, and I want to get your understanding of what this means. This quote says:

> The domestic areas consider that the distribution of the U.S. sugar market among the producers of the United States and foreign countries and the provisions for the establishment of quotas through the year 1966 on the basis provided for in the bill are not intended to establish, and should not be construed as establishing, a permanent production and distribution pattern, nor as waiving American producers' rights to such portions of the American market as they can and should supply at the conclusion of the period covered by the bill.

Now the inference I get from your remarks on this quote is that should this legislation prevail, and should the Sugar Act be extended, certain changes may occur that would require further change in the act. Do you mean at the end of 5 years we might have to take away some of the increase that has been afforded our American sugar producers?

Mr. KEMP. I think I might express the hope on the part of everyone in the beet industry that you will be here at that time to protect us against any such dread result.

Mrs. MAY. Touché. [Laughter.]

Mr. KEMP. But you appreciate, of course, and there are other members of this committee who have the same problem, they may represent some area in which there is 200,000 acres of new irrigated land, drained and so on, and the farmers want crops to grow that are compatible with the climate. And I suspect that Mrs. May has heard time and again from her constituents that they do not understand the competitions that exist in this sugar business, and they do not understand why they cannot have what they think is appropriate for their needs.

We have had to compromise, as I know you appreciate, Mrs. May. I think that the negotiators, and other people, took a bigger hand in that than I, considering the interests of the State Department and the very forceful expressions of that agency, have done pretty well by us. And for that reason I, and all of the established industry, and many of the new people, believe we should stay hitched with this program during the term of this bill.

Now I cannot, nor would you want me to, attempt to deal longer than that. And what we are confronted with then, I, of course, do not know. All I do know is when that time comes, the right of the American citizen to petition his Congress should not be prevented by the pattern we are agreeing to at this time.

Mrs. MAY. Mr. Kemp, one more question along that line. If during the life of this extension there might be serious national or international developments (which we hope would not occur), that might make it obvious we must become more dependent on our own domestic production, for an assured supply of sugar, do we not still have the right to petition Congress for a change?

Mr. KEMP. Not only that but the Congress, Mrs. May, has the right to act to meet those facts. When the first war came about, it was not but a few weeks after Pearl Harbor before they suspended quotas to let the Nation produce the things that we needed. And I am sure that were any facts to appear that in the judgment of this committee make necessary change, they would be considered.

Mrs. MAY. One more question, if I may, and this is to clarify a point.

You have made a very strong argument in favor of the change as to eliminating Cuba's option bringing in 375,000 tons of refined sugar. For the record, I would like to make it clear, by asking you some questions, just what the status of this is. Did other foreign countries ever have the option to bring in refined sugar as Cuba did when she was exporting sugar to us?

Mr. KEMP. Only in a very small volume, Mrs. May. What this really involves is this: this bill would, in effect, set aside a reserve of 2.5 million tons for the rising of a Phoenix of a new Cuba out of the ashes. And whether that is going to happen, I suppose every person in this room would approve of such a development. But if so, or in the meantime the recipients of the right to supply us with that sugar, and they will do so, of course, we think they ought to supply it in raw rather than white.

Mrs. MAY. Since we have had an embargo of Cuban sugar, and that Cuban quota has been allocated in the intervening years to other countries, along with that allocation did this right or option Cuba has had to send us refined sugar follow that Cuban quota to other foreign countries?

Mr. KEMP. Largely by administrative ruling, a number and I think there must be 8 or 10, relatively small countries with quotas, I think, under 10,000 tons, were given the right to bring that sugar in here as they please.

Now there are a great many people, and I am one of them, who felt that that violated the principle and that even though small countries, they should ship in raw rather than white. But what we are talking about does not concern them. They are small, and they affect a good many people, and we would rather confine our figure to this one large chunk of sugar, the 375,000 tons.

Mrs. MAY. I am still concerned, Mr. Kemp. Going back to this 375,000 tons, I want to get it clear in my own mind, if we do not, let us say, eliminate this option for Cuba in this new law, is it possible that administratively that entire 375,000 tons, in the form of refined

sugar, could be allocated among any of our foreign importing countries?

Mr. KEMP. No. The law will provide that that sugar must come in as raw.

Mr. MAY. I see. In other words, your suggestion here is that we remove this option from this law in case that, during the life of the extension, a friendly government should be restored to Cuba and, of course, then our formal trade relations in sugar would be restored, but with this difference, they would no longer have their former privilege to send us refined sugar?

Mr. KEMP. That is right.

Mrs. MAY. Thank you.

Mr. KEMP. And, Mrs. May, I think most of the experts on this difficult Latin American question believe that the best thing we can do for those countries is to give them a fair and stable market for their raw materials, and that is what the Sugar Act has done. When we start industrializing those countries, setting up businesses to compete with our own businesses and our own industry and the jobs of our own workers, we get into trouble. But if, as we do with their sugar, we can give them a fair price, not the world price, we have really extended to them the greatest benefit that we can.

Mrs. MAY. Thank you very much.

The CHAIRMAN. Mr. McSween?

Mr. MCSWEEN. Mr. Kemp, I should not want to leave the meeting without taking the opportunity to extend my highest complements on a very eloquent statement.

We have, as you know, a very old sugar-producing industry in my State of Louisiana. There are some 5,000 producers and these people have been at it a long time.

I know that they support the philosophy of the Sugar Act. They would like to have more production, of course, but they are aware of these problems. I know that they would have been proud to have heard you represent them through this industry group today.

I think that the united support of this industry for the domestic aspects of this Sugar Act as an instrument of domestic agricultural policy is a testament to the fact that it is conceivable that a government agricultural program can work, and I think that it is a remarkable testament of statesmanship on the part of this industry that the industry is united and has worked out its problems. I now there are differences among you, but the matters that you agree upon have minimized the differences for the purpose of making a united front to the Congress and to the administration. This is a remarkable expression of statesmanship. And I think it gives some hope to Members of Congress that there will come a time when other segments of our agriculture will come to us united. Otherwise, we will continue to have serious problems affecting some commodities. I wanted to extend to you my own personal thanks for this excellent presentation.

Mr. KEMP. I would like to make this comment, sir. This industry, the sugar industry, and for that matter I think all of agriculture, has been helped over the long years that I have known anything about it by a magnifiicent delegation from Louisiana. And, Mr. McSween, in taking care of the interests of the sugar producers of your district, you have added luster to that relationship.

Mr. McSween. You are very kind to say that.

There is one other thing I should like to say, and I think it would be fair to say that if this industry were not united, you would not have received administration approval of approximately 60 percent for domestic producers.

The Chairman. Mr. Short?

Mr. Short. Mr. Kemp, may I add my commendation on the presentation that you have made this morning, sir. It has certainly been a very excellent and comprehensive one.

There is one thing I would like to point out for the purposes of clarifying the record just a little bit. On page 7, I believe, when you were talking about these new areas that were interested in a new acreage, you included Minnesota and North Dakota, and further on you referred to these new areas as being interested on somewhat of an experimental basis. Just for purposes of clarification of the record, I think beet production in the Red River Valley of the North is beyond the experimental stage. We have three plants up in that area. It has a long history of sugarbeet production and, incidentally, very successful.

Going back to page 4, Mr. Kemp, I rather hate to raise this question and I do not raise it critically, but it points up the question that I may have to to answer sometime. Mr. McSween was just commenting on his interest and his sugar producers in Louisiana, and I am also interested in my sugar producers in North Dakota, and I want to be as sure as I can that I am representing my sugar producers as well as Mr. McSween is representing his sugar producers.

If my arithmetic is correct here, in dealing with the cane industry, the domestic cane industry as compared to the domestic beet industry, we have raised the domestic beet quota in the neighborhood of some, what is it, 47 or 48 percent, I believe, from 1,800,000 to 2,660,000. We have raised, however, the domestic cane quota from 500,000 tons to, what is it, 890,000 tons, which comes to almost an 80-percent increase.

Would you provide me with just a little ammunition that I can use to explain this proportion to my growers back home?

Mr. Kemp. Well, I will try.

Mr. Short. This is what I want to do, to be able to try, when I go back home.

Mr. Kemp. May I say, Mr. Short, that I have received in my own office some very excellent gentlemen from Drayton, N. Dak., who have convinced me that the present magnificent beet industry of that Red River Valley can still be explained. You have already pointed out that you are three jumps up on the rest of the boys because you are in the business. And I would think that as this proposed bill becomes law, your area will be a couple of steps ahead in availing itself of the opportunity for growth—and this also applies to Mrs. May's area—over some of the people that have done little more than experimental planting.

Now, there has been a disposition, and I might say that this perhaps centers in your country, among the farmers of your country, that in some way or other we ought to keep pace with whatever is done for Florida and Louisiana. Now actually I do not believe that

there is any particular logic in that contention. Were we able to convince the Congress that the beet people were entitled to three times the increase that was given Louisiana, I am sure we would have undertaken to do so.

Now there has been an explosion in farming, part in Louisiana but principally in Florida, and they tell me, and Mr. Matthews could confirm this, that if they keep it up they will be planting sugarcane in the middle of the Hialeah racetrack. They have four or five plants that within 6 to 8 months actually got into sugar production. They produced this year 845,000 tons of sugar. Their quota would be 895,000. And as my statement indicates, they confidently believe that they will overproduce the quota next year. Now the beet people, the best we have done, and the seasons have not been too cooperative, is 2,450,000 tons. We have enough quota here to take care of us immediately and we have the privilege of some growth.

And I would say to your people, do not be troubled by the exact relationship in the increase between us and somebody else. We are more concerned with what happens to us, and I think while we are glad that the Louisiana-Florida people have progressed as rapidly as they have, it really does not concern us.

Mr. SHORT. Well, certainly, Mr. Kemp, I have no quarrel with the increase for the cane industry. I am glad to see an increase for our domestic industry. I am just a little bit at a loss to explain to some of our beet growers back home as to just why this disproportionate increase. Again I am not going to make an issue of this thing. The industry in its wisdom has thrashed this out, this is the conclusion they have come to, this is the recommendation they are making, and I guess in my responsibility as a Member of Congress, I probably better accept the recommendation of the industry.

Thank you very much.

The CHAIRMAN. Mr. Inouye?

Mr. INOUYE. Mr. Kemp, I would like to join my grateful colleagues in commending you and the industry organization for this wonderful statement. I have just one question to ask. If by some blind judgment Congress should just simply extend this present Sugar Act for 1 year, or, say, for a period of less than that, what would be the effects or consequences on our domestic industry?

Mr. KEMP. We would continue in the straitjacket of uncertainty. Now take my own case. I am responsible for budgets and plant improvements. To be quite frank about it, sir, I have been unwilling to see applied to the improvement of the business large sums of money because if we are just going to go on with an extension to this for the next 6 months or 12 months at a time, you cannot exercise business judgment under those conditions.

I would think, although I have not been in Hawaii for a couple of years, that your people as well as ours need the certainty of a known legislative climate. And we cannot make business decisions unless we have them. And I would certainly hope that the one objective that you, coming from so magnificent a sugar area, would try to see achieved is that we put this thing on a known path and a known pattern for some years to come.

Mr. INOUYE. Thank you, Mr. Kemp.

The CHAIRMAN. Mr. McIntire?

Mr. McIntire. May I join with the others in expressing a deep appreciation to the industry representatives and to their very able spokesman. I did want to express my appreciation for the reference on page 7 to the fact that Maine farmers are interested in sugar production. Our experiments in Maine are quite encouraging and we are very serious in examining the possibility.

I would like to ask a question in connection with this direct consumption of sugar. Your reference in the testimony, Mr. Kemp, was in relation to that of Cuba's option. Now, if the Cuban option is removed, is it to be understood by your testimony that other nations now participating would continue to participate in a small way, or is it proposed that all direct consumption of sugar from offshore be eliminated in this legislation?

Mr. Kemp. There are many people in the industry who think that that ought to be done in the true interests of all these little countries themselves. But the bill does not undertake to change the facts as to Costa Rica, Nicaragua, Salvador with small total quotas. But this 375,000 is a lot of sugar and it is that that we are principally concerned with.

Mr. McIntire. Thank you.

The Chairman. Mr. Breeding?

Mr. Breeding. Thank you. Mr. Kemp, I want to congratulate you on your statement. I though you were in fine form. You did a wonderful job.

I want to ask a couple of questions. The first one is, on page 9, toward the bottom of the page, where you state that the bill provides for all deficits of all domestic areas be allotted in total to foreign countries, why did they do this? In prior legislation they have reallocated those dificits to domestic areas. Can you tell me why they have done this in this legislation?

Mr. Kemp. Well, they outfoxed us in the trade. [Laughter.]

Mr. Breeding. That is what I was afraid of.

Mr. Kemp. What they said, in effect, was, and I will give you the reason why we can accept this: Here is an increase in your basic quota, but we are not going to give you that increase in the basic quota unless you surrender these deficits. Now, Congressman Breeding, the deficit is a pretty poor crutch. You never know until August or September what it is going to be and you cannot plan production in the beet industry, or any other group, unless you can have more certainty of what you are going to be allowed to do. We thought it preferable that we get an increase in the basic quota even if we had to surrender these uncertain deficits.

Mr. Breeding. That answers my question. I wondered why it was in there. Another thing I would like to inquire about is this growth factor. Why shouldn't that go to the domestic producer, 100 percent of this growth factor instead of a portion of this growth factor? It is created here in the United States and it seems to me it ought to be kept in the United States. What are your feelings about that?

Mr. Kemp. Well, that is another thing that got on the bargaining table. I think that there are a great many people who believe that we ought to trade abroad: we ought to get goods from other countries in order that from the proceeds from their sugar sales to us perhaps they

can buy the wheat and the corn and help our situation here—and the hog situation in Kansas.

Now, there are two types of market here. There is the market that exists at the moment, which is apparently going to be around 9,700,000 tons. But next year we think it is going to be 9,850,000. Now there are people who say we ought to have foreign trade, who say, "Well, the foreigners ought to get some of that." Now, there are people in the domestic industry who believe that they could persuade the members of this committee and the Congress to give them 100 percent of the growth. I think they are mistaken, I think they cannot get that. And I have been around here long enough to know that these things take a good deal of suffering. I think this is a pretty good deal.

Mr. BREEDING. I would like to ask you this question. I represent western Kansas——

Mr. KEMP. May I say my company is very proud that we are now buying beets in your district. [Laughter.]

Mr. BREEDING. Yes, sir. But tell me this; I have a lot of farmers out there who are growing surplus wheat and surplus feed grain and they would like to try beets again. They did one time, years ago, raise quite a few beets. But there are no facilities to process these beets. How do I get my people in the beet business and get a new plant in that area?

Mr. KEMP. Presently we have about 5,000 acres of sugarbeets in western Kansas, in the counties along the line.

Mr. BREEDING. Yes, sir.

Mr. KEMP. We are shipping them to a plant at Brighton, Colo., which is about the limit of reasonable transportation. Beets are bulky and they take a high freight rate. But in that particular area, where well water has just been made available, this is a new crop. I think we can only wait, Congressman Breeding, to see the outcome; how they handle it; what yields they get; how much water there is; and how big a water table lies under those great western plains. And if it is as great as some of our agricultural people think it is, you will want a factory and you will want it close enough so that it can handle a big body of land.

Mr. BREEDING. We have delegates here as representatives of Hugoton, Ulysses, and Sublettle from Scott City and Leoti, Garden City and Deerfield, all interested in this very area you spoke of, wanting to grow sugarbeets.

Mr. KEMP. Yes, sir. And I have had occasion to talk to a good many of them, to know how thoroughly they understand your interest and support for the industry.

Mr. BREEDING. Thank you, sir. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Harding?

Mr. HARDING. Mr. Kemp, I want to join with the other members of the committee in complimenting you on an exceptional presentation. I knew that you were one of the oldest spokesmen for the industry, and it is also very evident today that you are one of the most able. I think your presentation has been most enlightening.

There is one thing I am very concerned about. Like Mrs. May and some of the others, I have not only old growers, but also some new growers in my district. Just last week I happened to pick up the paper from home and read the 10 years ago and 20 years ago, and

50 years ago section. Under 20 years ago there was a plea for farmers to come in and sign up to raise more sugarbeets. It was stated that it was their patriotic duty to raise sugar beets 20 years ago, and a lot of these people did it. Then we did not have a lot of mechanization, and they thinned beets picking the doubles by hand. They could not get the necessary labor and some of these farmers not only had their children staying out of school to thin sugarbeets, but had their wives out thinning beets. I feel that it is very important to have adequate protection for these old growers and, at the same time, that we do have a reasonable expansion into new areas to give new growers a chance. Do you think that this legislation represents a fair compromise to accomplish that?

Mr. KEMP. Congressman Harding, I do not hesitate a minute to tell you that under all the circumstances, under all the pressures, under all the competition this is a good deal. Now in your great State of Idaho you have had astonishing developments. Some of your well-water opportunities, as they have been explained to me, give that State, which is the third or fourth of the largest big producing States, a still greater prospect.

But this will give the new people you will have the opportunity to appear before the Secretary of Agriculture on his decision as to what to do with this 50,000 tons a year. And if Idaho is, as it has been, ready to use some of that, I am sure the Department will give that consideration.

Now, I know that you, Mrs. May, and others here have that difficult problem of the older grower on the one hand who says he has been restricted and does not feel that he ought to be pushed out of bed to let someone else under the covers, but this helps both and I would not hesitate to tell your people that this is the best that we could get.

Mr. HARDING. I certainly want to thank you for that straight-forward answer, Mr. Kemp. I want you to know that I supported the position of the united industry from the beginning, and I will, in the case of the Poage amendment to eliminate the Cuban whites, and I am convinced, as you are, that we must have this new Sugar Act because a 1-year extension of the old act is not sufficient.

Mr. KEMP. Thank you, sir.

The CHAIRMAN. Mr. Latta?

Mr. LATTA. Mr. Kemp, in the interest of time I merely want to say amen to all of these compliments that have been heaped upon you this morning and add one further compliment, and that is that I think that you and others have done a lot of work in getting this agreement on this bill.

I want to get right to my question. On page 8, dealing with this 50,000 tons of sugar that the Secretary of Agriculture is going to bestow each year upon some section of this country, how did you happen to come to the figure of 50,000 tons of sugar when the new growth need is going to be 150,000 tons and we have a domestic use of 9,700,000 tons? How did you happen to arrive at that 50,000-ton figure, which in my opinion is a drop in the bucket?

Mr. KEMP. Congressman Latta, there really is no direct relationship between the 50,000 and the 150,000. The way that came about is this: You have this question between old and new growers. The new growers want all they can get; the old growers want to hang on to all they

have and at the same time the old growers would like to be able to increase their present planting.

Mr. LATTA. I understand that.

Mr. KEMP. So, you have that clear question. Now, in the beginning they talked in terms of acres because the national allotment is in terms of acreage. And they started talking about, well, "Let's provide one factory a year".

Mr. LATTA. That is what I want to find out. How did you arrive at that figure?

Mr. KEMP. That is right. They started in with the idea, "Well, let's make one more factory possible for the Secretary of Agriculture to pinpoint as the facts justify." And the first discussion within the industry was for 20,000 acres because that was a part of the present pattern. Then somebody said, "Well, 20,000 acres in one place would produce less sugar than it would in another. For this purpose, the purpose of insuring of factory construction, maybe we ought to talk in terms of the product that is required to work a factory."

And 50,000 tons is 1 million bags of sugar of 100 pounds each. Now 1 million bags of sugar is more than the average productivity of the American beet sugar factory at present. The average of the factories of my company is not as high as 1 million bags. This higher quantity was thought necessary because under the extremely high cost of construction today a plant has to be big enough, has to be automated enough to justify its cost. This is a pretty good size plant this authorizes.

Mr. LATTA. We have had a lot of people before this committee over the past few years who have indicated a desire to get into sugar production. It just seems to me that 50,000 tons is a very, very small amount to allot each year to these people. When you consider the fact that you have 150,000 tons a year just on growth alone, you are not even giving them the new growth figure. Then, when you take into consideration the fact that we have a very sizable quota that was taken away from Castro—which should have been taken away a long time before this committee did it—and you have all of that quota that could be used domestically. It seems to me that the statement that you make at the top of page 8 is a good one, and I quote:

> If we are no longer to depend so largely for our sugar supply upon a communistic regime in Cuba, why should not the privilege of supplying at least part of that sugar be accorded by the U.S. Congress to U.S. citizens who wish to become sugar producers?

I think that is an excellent statement. And that is the question that, not only Congressman Short has to answer back home, but the other members of this committee have to answer. Certainly when we have these huge surpluses of other commodities hanging over our heads, when we can produce sugarbeets in some areas and sugarcane in others, how can we answer to the American farmer that we are denying them the right to produce a commodity which is not in oversupply in this country? It is a very tough question to answer, and that is why I am particularly concerned at this small amount that is being allotted domestically, 50,000 tons a year.

Mr. KEMP. Mr. Latta, I am sure there are a lot of beet growers here whose hearts are beating faster because of what you have said. The fact is, of course, that there are a lot of other people at the dining table,

and without attempting again to point out these competitions and what they are, the fact is that not from the beginning have the beet people ever been able to write a ticket that seemed to satisfy the most ardent among them. I can remember, and I do not want to take the time of the committee, going clear back to the time of Henry Wallace. He and I were discussing the beet business, and this was in the thirties, and Mr. Wallace was Secretary of Agriculture and at that time said to me, "Mr. Kemp, I have been unjustly accused of wanting to do away with the beet sugar business and that is not true." He said, "I know that the farming system of the beet growing areas, built as it is upon small livestock feeding on the farm, the consumption of the roughage of the farm in the production of finished cattle, the use of fertilizer to bring more crops is one of the great farming systems of the world. My difference with you is how much sugar should we grow at home and how much should we import." And he said, "I suppose you and I will never quite agree upon that."

He had just written a book called "The Paths of Plenty," and I think he was talking about selling corn and hogs and perhaps tobacco or something else that we grow. There has to be, I think, a community of sacrifice in this thing. And all I can say to you is that I believe the negotiators of the industry have done a pretty good job.

Mr. LATTA. All I can do is reiterate what I said earlier. I think you have done a good job and I am just trying to get at how you arrived at this figure.

Mr. KEMP. Well, you cannot base it on logic, Congressman Latta. It is just one of those things. It is like betting on a hand in poker.

Mr. LATTA. I still cannot quite comprehend what you mean by your statement on page 8 when you say: "Understandably the old grower is reluctant to have his acreage cut back to accommodate a place for a newcomer." We are not going to be cutting back the older grower under this bill, are we? Aren't we giving him some room to expand?

Mr. KEMP. You are liable to. If we get a great big crop this year we will be under acreage allotment next year. I think the President himself in a message to the Congress predicts that this beet crop would produce 2,800,000 tons. Now if so, you have a 2,650,000 basic quota, and the acreage that was planted this year may have to be reduced to keep us within bounds. That is why the old grower is concerned.

Yet, in spite of that threat, in spit of that hazard, in order to be fair to the new people, the industry has said nevertheless, even if we get cut back—the people that are now in the business—we will set aside some acreage for the new folks.

Mr. LATTA. I do not think there is any reason to cut them back. Do you feel there is any need to impose restrictions on the old growers?

Mr. KEMP. I think I am committed to this deal.

Mr. LATTA. Well, that is the only way to answer it.

The CHAIRMAN. Mr. Jones.

Mr. JONES of Missouri. Mr. Kemp, I am from Missouri, and as you know we have had quite an interest in getting into this thing, and I think your company has been down there doing some exploration at least.

But in listening to Mr. Short and to Mr. Harding, from other areas of the country, if I understand it, during the last year and this year

there have been no quotas, and these old areas have been permitted to increase their acreage this year.

Mr. KEMP. That is right, Mr. Jones.

Mr. JONES of Missouri. Am I correct in my understanding that nevertheless in some of these old areas the acreage has not been increased but has actually been decreased and some of these plants in old areas are not now operating at their full capacity?

Mr. KEMP. Yes. The other day we had a rather unexpected development. A plant in the State of Wisconsin was abandoned and 8,000 to 10,000 acres of beets they had grown there now have no processing facilities.

I would like to say to the other members of this committee that Mr. Jones comes from, I think they call it, the boot heel of Missouri.

Mr. JONES of Missouri. That is right.

Mr. KEMP. In any event, we sent a very expert group of agriculturalists down there and they tell me that it's about the finest soil, the deepest soil, they have ever seen. Now it is true that the present grower is growing more than he did before. And one of the reasons—and we hate these things—he grew more than he normally would, was in order to create a history record that would give him the largest possible allotment if we go back under controls.

Mr. JONES of Missouri. What I am trying to get at is this: Under this bill, and on the basis of one new plant each year, the Secretary, it seems to me, is going to have some problem in determining which company is going to be able to put in this mill. Now do you think that your processors are going to be able to reach some kind of a scheme or agreement——

Mr. KEMP. I would not for the minute think anything of the kind. They have never agreed upon anything.

And I do not suppose for a second that I am going to surrender my hopes of properly enlarging the interests that I represent in order to give any of them any part of it. [Laughter.]

Mr. JONES of Missouri. We have had some hopes that you would come down in southeast Missouri where you have an opportunity of river transportation, and also the good area represented by my colleague here, Mr. Gathings, and over in west Kentucky, and in west Tennessee and the area in there. And, incidentally, Missouri has carried on this experiment for the last 2 years, and the State is spending quite a bit of money this year again, and I think we have proven that we have some advantages to offer.

But I was just thinking, I was trying to get in my mind, why these old areas that Mr. Short is talking about, and Mr. Harding, have not availed themselves of the opportunity to increase their production last year and this year.

Mr. SHORT. Will the gentleman yield?

Mr. JONES of Missouri. Yes.

Mr. SHORT. It is very simple. Up in our country we planted every acre that our plants had the capacity to process. Just as soon as we get a new plant, we will plant more acres if there are not any acreage restrictions.

Mr. KEMP. They have just about covered up the plants they have now with beets. The plants cannot take any more.

Mr. JONES of Missouri. Are the plants operating in capacity then?

Mr. SHORT. In our particular area.

Mr. JONES of Missouri. Let me ask you this, what is the longest period during a year that a plant can operate?

Mr. KEMP. Sir, it varies a little according to climate. Out in our country, where it is liable to be 5 below zero in the middle of November, we have to have the beets all out of the ground, by say, the 10th of November. And we think if we operate into the middle of January, that is as far as we can go.

Down in your country, where there would be less frost, you could run longer than that.

Mr. JONES of Missouri. Thank you.

The CHAIRMAN. Mr. Gathings?

Mr. GATHINGS. Mr. Kemp, you spoke of the depth of that fine soil in Missouri. I would suggest that you go just about a half mile to the south of the Boot Heel and look at that soil, that's the great alluvial valley of Arkansas.

Mr. KEMP. I will tell you what I would find there. I would find that district's Congressman has been about as helpful to agriculture in its labor problems as anybody in Washington, and I thank you here now on behalf of all of us.

Mr. GATHINGS. I appreciate that; I am appreciative of the efforts of the sugar producers with respect to these problems.

We have the same type of soil.

Mr. KEMP. I know.

The CHAIRMAN. Mr. Reifel?

Mr. REIFEL. I just wanted to express my appreciation to Mr. Kemp.

The record does not show that South Dakota is specifically mentioned. However, in my district we are extremely interested and have demonstrated the value of sugarbeet production. And while a couple of our associations are not listed in the group you represent, the Southeastern South Dakota Beet Growers Association, with which Mr. Dan Nohr in the audience is associated, and the James Valley Beet Growers Association, represented by Mr. Earl Crook, heard your wonderful statement. I talked to them afterward and they said they would like to be associated with the remarks you made. A wire I have received from Mr. Don Hunter and the board of directors of the Southeastern South Dakota Beet Growers Association also subscribes closely to those views. We are fully appreciative of the fine presentation that you made on our behalf even though we were not directly mentioned.

Mr. KEMP. Thank you very much.

The CHAIRMAN. Mr. Dole?

Mr. DOLE. Mr. Kemp, as a practical matter, where we have new areas that want to produce beets and where plants are operating to capacity, is there any practical possibility they might be able to raise beets under this program? What are potential new growers going to do if there is no place to have their beets processed?

Mr. KEMP. Well, take your area—we just cannot go any further east than Goodland, and in your district, the mass of the irrigated land, lies somewhat to the east of that. My guess is that the distances to existing plants are too great to warrant very many beets in that area. Someone will have to build a plant to satisfy the real beet growing opportunity.

Mr. DOLE. Then as a practical matter, there probably isn't much hope for growers in this area (Bostwick).

Mr. KEMP. Well, the best agriculturalist I have thinks that of all the areas that we are really intimately connected with that is the best prospect.

Mr. DOLE. Do you have any idea, and I am certain you probably have not, where Kansas stands in line as to the one factory per year?

Mr. KEMP. I think that is up to you and Mr. Breeding.

Mr. DOLE. We won't both be here next year. [Laughter.]

The CHAIRMAN. Mr. Beermann?

Mr. BEERMANN. Mr. Kemp, I want to thank you for your very fine statement. As you are well aware, we have over 300,000 acres of wonderful irrigated ground in south-central Nebraska.

Are all of the plants in Nebraska operating at full capacity this year?

Mr. KEMP. No, they are not, sir. Of course as you know our plants are all out in the panhandle. There is a plant at Grand Island. I think the Grand Island plant this year, because of the acreage which is grown, is probably going to get about all it can handle. We are short of what we could handle in the panhandle. But we are too far away and we cannot ship beets clear across Nebraska.

Now, that wonderful country of yours, and over the line in South Dakota, I just cannot tell you what are the prospects for development there, but it will mean factory construction somewhere because neither Mason City nor Grand Island, which are the two nearest plants, can take them.

Mr. BEERMANN. Thank you.

The CHAIRMAN. Thank you very much, Mr. Kemp.

Mr. KEMP. Thank you.

The CHAIRMAN. The committee will stand adjourned until 10 o'clock tomorrow morning at which time Secretary Freeman will appear.

(The following statement to supplement the testimony of Frank Kemp was submitted to the committee:)

SUPPLEMENTAL STATEMENT OF UNITED STATES SUGARBEET INDUSTRY, MAINLAND SUGARCANE INDUSTRY, HAWAIIAN SUGARCANE INDUSTRY, PUERTO RICAN SUGARCANE INDUSTRY, UNITED STATES CANE SUGAR REFINING INDUSTRY

The following statement is respectfully offered for the consideration of the Committee, to supplement the testimony presented on H.R. 11730 by Mr. Frank Kemp in behalf of all segments of the domestic sugar producing and refining industry.

This supplemental statement provides more details on some of the subjects covered briefly by Mr. Kemp. In addition, it presents the industry's views concerning some technical points on which Mr. Kemp, in the interest of saving time for the Committee, did not touch in his testimony.

1. REVISED PRICE RELATIONSHIP CRITERION IN SECTION 201 PROVIDES A MORE REALISTIC TOOL FOR MEASURING FAIRNESS OF PRICES

H.R. 11730 would amend the price relationship criterion in section 201 to provide that in setting consumption requirements, the Secretary shall, in addition to other factors, take into consideration the relationship between raw sugar prices and the Parity Index. The base period for comparison would be the 1957–59 period. Present law contains a somewhat similar provision with the basis of comparison being the relationship of wholesale refined sugar prices to the Consumer Price Index.

Since inclusion in the law of a price relationship criterion in 1948, sugar prices have always been well below the price indicated by the formula. The proposed revision of section 201 would have the effect of reducing somewhat the price standard in the law. Despite this, the domestic industry sees merit in the proposed revision inasmuch as it would substitute a specific administratively practical price relationship formula for a general price objective, and thus would afford the Secretary a more realistic basis for measuring the fairness of prices to producers and consumers. The merit of the revised relationship rests more on the manner in which the law is administered than in the specific standard set forth in section 201. We urge, therefore, that the Committee emphasize that the act be so administered to give full meaning to the new standards, as well as the other provisions of section 201.

2. ELIMINATION OF CUBAN DIRECT-CONSUMPTION OPTION IS ESSENTIAL

Mr. Kemp, in his oral statement, set forth several sound reasons for the elimination of the 375,000-ton Cuban direct-consumption option, pointing out, among other things, that the refined sugar option has not been of great importance to Cuba and that the making of raw sugar represents the major phase of the industrial potential in converting cane to refined sugar.

Another cogent reason for the elimination of the Cuban direct-consumption option is to be found in the revised formula for the domestic areas. The larger quota for the beet area is made possible in this bill principally by a reduction in the former Cuban quota.

This shift in supplies from cane to beet would deprive the domestic cane sugar refiners of their raw material on a pound for pound basis unless some compensating adjustment is made. The entire domestic industry—producers as well as refiners—feel that the best way such an adjustment can be made is by reducing the amount of foreign direct-consumption (refined) sugar permitted entry into the United States.

The logical way to do this is to eliminate the options granted to foreign countries to bring in portions of their quotas in the form of direct-consumption sugar. The elimination of these options will not deprive these countries of a single pound of their respective quotas. Rather, it would simply require them to bring in their entire quotas in the form of raw sugar.

The initial industry agreement concerning the division of quotas and consumption growth called for the elimination of all of the options allowed foreign countries to bring in direct-consumption sugar. These options permitted some 500,000 tons of direct-consumption sugar to be imported. However, in the interest of reaching the greatest possible area of agreement with the administration with respect to the proposed legislation, the industry, among other things, scaled down its program so that it now calls for only the elimination of the refined-sugar option of Cuba, which amounts to 375,000 tons.

In the bill before the committee, an option in the amount of 250,000 tons is retained for Cuba. While under present conditions shipment of any sugar from Cuba is barred by Presidential decree, this provision in any extension of the act would permit the entry of 250,000 tons of refined sugar from Cuba any time the President lifts the ban on Cuban sugar.

The cane-sugar refiners and the beet-sugar processors already have made a substantial sacrifice in foregoing the elimination of 130,000 tons of the refined options for foreign countries other than Cuba. Any further imports of refined sugar would severely damage the domestic industry. It is essential that the 250,000-ton Cuban direct-consumption sugar option which the bill provides for be eliminated.

3. HOW THE "GROWTH AND EXPANSION" PROVISIONS WILL AFFECT THE BEET SUGAR INDUSTRY

The provisions of the sugar bill providing for growth and expansion of the beet-sugar industry take the form of an amendment to section 302(b) of the present law, the section which authorizes the Secretary to establish and allocate proportionate shares to sugarbeet farms.

Under the terms of the bill, the Secretary shall, in order to make available acreage for growth and expansion of the beet-sugar industry, reserve each year, from the national sugarbeet acreage requirement established by him, not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. On the basis of the national average yield of 2½ tons of sugar per acre, this

provision would permit the Secretary to establish a sugarbeet acreage reserve of 20,000 acres. In areas where the sugar yield per acre is less, the sugarbeet acreage reserve might be somewhat greater and in the areas where the sugar yield per acre is higher than the national average, the sugarbeet acreage reserve might be less than 20,000 acres. In any event, regardless of the sugar yield per acre of any area to which the sugarbeet acreage reserve might be distributed, such area will have an opportunity to produce enough sugarbeets to support the operation of a sugar plant having a production capacity of 1 million 100-pound bags of refined sugar.

The reasonableness of this figure is confirmed by three facts: (1) The average production of the 61 beet-sugar plants in operation in 1961 in the United States was less than 800,000 100-pound bags of refined sugar. (2) A study by an independent, reputable engineering firm recently recommended to interested producers in one of the important sugarbeet producing areas the economic feasibility of a factory with a capacity slightly under 1 million bags. (3) Even in areas where conditions might suggest the feasibility of a plant eventually having a larger capacity, it is generally recognized that a 1 million-bag output would be adequate to underwrite successfully the initiation of such a plant.

The bill provides that the sugarbeet acreage reserve shall be established only in years when restrictive proportionate shares are in effect. It is unnecessary to establish acreage priorities in years when plantings of producers, whether old or new, are not restricted by the Government.

The bill provides that the sugarbeet acreage reserve shall be distributed by the Secretary, after investigation and notice and opportunity for public hearing, on a fair and reasonable basis to farms without regard to other acreage allocations to States or areas within States. Except as indicated, the bill does not contain any standards to guide the Secretary in distributing the sugarbeet acreage reserve.

The sugarbeet acreage reserve is available for distribution to new growers supplying a new factory in a new area. The Secretary of Agriculture stated in his testimony before the House Agriculture Committee that, in distributing the sugarbeet acreage reserve, he would give priority to new growers for a new factory over new growers for an old factory. That such priority is inherently assured by the language and the origin of the pertinent provisions of the bill was underscored by the comments of Congressman Poage in the record of the House hearings.

In the event of the proposed opening of more than one new factory in a single year, the Secretary would have to decide which new growers group, taking into account all the relevant facts, has the more valid claim. The Secretary's decision in 1 year would, of course, be without prejudice to the position of any losing group in a subsequent year.

Quite properly the bill does not undertake to define a new area. A new area could include a State where sugarbeets have never been commercially grown, such as Maine or Missouri; a State where sugarbeets have not been commercially grown for a number of years, such as New York; a State where only a few beets, for sugar or for seed, are now being grown, such as Texas, New Mexico, Indiana, or Arizona; or a State where sugarbeets are being commercially grown in significant volume, such as Nebraska, California, North and South Dakota, Idaho, Washington, or Minnesota.

Growth and expansion of the beet-sugar industry is also possible through increases in the capacities of existing plants. Subject to the priority claims of new growers for new plants in new areas, the sugarbeet acreage reserve is available for distribution to new growers supplying beets to an old plant which is being expanded. Such new growers would, of course, have prior claims over old growers who might wish to expand their production to supply the additional beets needed for the expanded plant. If two or more plants are expanded in a single year, the Secretary has to decide which new grower groups, or which old grower groups, have the most valid claim to all, or some part, of the sugarbeet acreage reserve available for distribution.

The sugarbeet acreage reserve provided by the bill is in addition to provisions already in the law authorizing the Secretary to protect the interest of new and small producers.

It is estimated that about 70,000 tons of quota will be credited annually to the beet area as a result of its share of the 63 percent of market growth reserve for continental areas. It is generally assumed that U.S. market growth is about 150,000 tons a year; 63 percent of this amount is roughly 95,000 tons. Under

the bill the 95,000 tons is split approximately 3 to 1 between the domestic beet and mainland cane areas—70,000 tons for beets, 25,000 tons for cane.

The 50,000 tons needed for the sugarbeet acreage reserve is thus covered by the annual growth increment accruing to the domestic beet area. The difference (20,000 tons) between the expected growth increment (70,000 tons) and the maximum sugarbeet acreage reserve (50,000 tons), however cannot be construed as being available for "expansion" of the existing industry because it is not enough to absorb the industry's annual technological growth, which amounts to about 50,000 tons.

Accordingly, under the terms of the bill most of the annual technological growth of the industry—that is, higher sugar yields per acre—will have to be absorbed by the old beet grower group. This could involve a cut in old grower acreages.

The probability of future acreage reductions for old growers is compounded by the level of the basic beet quota—2,650,000 tons as compared with a 1962 crop now estimated to yield 2,800,000 tons of sugar. The low level of the industry's current carryover, due to last year's below-average yields, will avoid the need for acreage cuts for old beetgrowers for 1963. Under these circumstances, as Secretary Freeman has said, acreage restrictions next year appear unlikely.

In summary, the sugarbeet acreage reserve may equal only the equivalent of 1 million-bag factory a year for new growers. The 1-million-bag-a-year technological growth of the industry may have to be carried, in large part, by the old growers—and by the new growers after they enter the business. The conservative level of the basic quota, and the modest growth increment, awarded the domestic beet industry in the bill reveal clearly, on analysis, the willingness of the beet industry, old and new, to make a real contribution to industry unity, to permit the foreign suppliers to continue to have a guaranteed share of about 40 percent of the U.S. sugar market.

4. BASIC RELATIONSHIPS BETWEEN FOREIGN AND DOMESTIC, AND BEET AND CANE QUOTAS MUST BE MAINTAINED FOR THE TERM OF THE ACT

Section 3 of H.R. 11730 establishes a new section 202(c)(4) of the Sugar Act under which the purchase and importation of supplies of sugar is authorized to replace those which would otherwise come from a country not in diplomatic relations with the United States; e.g., Cuba. This section provides the Secretary with discretionary authority under which he could withhold, or delay authorizing, the purchase and importation of any or all of such replacement supplies.

It is suggested that this provision be changed to require the Secretary to authorize the purchase and importation of an amount of sugar equal to the quota of the country not in diplomatic relations with the United States in order to assure that the quantity of sugar provided by the quotas established by the Congress is made available.

The bill provides a delicate balance of the quotas between the various domestic and foreign areas. Having carefully worked out these basic relationships, it is necessary that no other provisions of the act be permitted to upset the balances so established between beet- and cane-sugar quotas and between domestic and foreign quotas. Section 202(c)(4) of the bill would permit the quota relationships established by the Congress to be disrupted by administrative action. Actions taken in the past 2 years by the Secretary of Agriculture under similar discretionary authority in section 408(b) of the act have demonstrated how administrative action may be used to change or upset the basic quota balances of the act.

Permanent withholding of replacement supplies will deprive cane-sugar refiners of their raw material—raw cane sugar. This would also deprive foreign suppliers of their full share of the U.S. market as allotted by the Congress. Delay in allocating such supplies is also disruptive to market stability, for the production, sale, shipment, and storage of raw sugar cannot be planned on a day-to-day basis.

Section 202(c)(4) should be changed to provide that replacement supplies in an amount equal to the quota which has been canceled will be authorized for purchase and importation.

5. IMPORTATION OF HIGH SUGAR CONTENT PRODUCTS SHOULD NOT BE PERMITTED TO CIRCUMVENT THE LAW

Section 5 of H.R. 11730 provides that sugar-containing products which do not have a recent history of importation into the United States will be subject to the quota provisions of the act, unless the Secretary finds that such importation will not substantially impair effective administration of the act. Section 5 also provides that sugar-containing products now being imported in small volume may, in the future, be made subject to the quota provisions of the law, if the Secretary determines that such importation will substantially impair effective administration of the act.

Importation of sugar-containing products that may be substituted for sugar could easily reach proportions which would seriously impair the effective administration of the law. There already have been importations of such products in sufficient volume to warrant concern by the Department of Agriculture and by the domestic industry.

The domestic sugar producing and refining industries support the principle of including, under the quota provisions of the law, those products which have the effect of circumventing the intent of the act. Such a provision would not adversely affect the importation of products the value of which depends largely upon something other than their sugar content. Without such a provision there would appear to be no way to prevent the importation, without charge to quotas, of products not technically qualifying as sugar as defined in the law, but which readily could be used as sugar substitutes.

6. PROPOSED BROADENING OF QUOTA EXEMPTIONS WOULD JEOPARDIZE THE ACT

The Sugar Act provides that sugar used in livestock feed or for the production of alcohol may be imported without charge to quota. Two witnesses appeared before the committee, one of whom represented several chemical firms, asking that the law be amended to broaden greatly the quota exemptions. The domestic producing and refining industry strongly opposes inclusion of such a provision. If nonquota sugar is permitted entry in any significant volume, it obviously would make difficult the maintenance of the principle of the quota system. It would also foster a domestic two-price plan, which would further jeopardize the act and the stability which it affords, and would create indefensible inequities in prices to consumers. For these reasons the domestic industry strongly urges the committee not to amend the law in the manner recommended by those witnesses.

7. FOREIGN QUOTAS AND PRORATIONS SHOULD BE LIMITED TO NET EXPORTING COUNTRIES

It is essential that certain restrictions be written into the new law which will prevent countries with whom the United States is not in diplomatic relations, or any other countries designated by the President, from circumventing the ban on imports of their sugar into the United States by transshipments through other countries. We urge the committee to restrict quota allocations to only those foreign countries which have established themselves as net sugar exporters. In determining whether a country is a net exporter only imports and exports of sugar, per se, should be taken into consideration, not imports and exports of sugar contained in sugar-containing products. Also, we recommend that new language be incorporated in the sections of the bill dealing with the procurement of replacement supplies to permit only net exporting countries to provide such supplies. Further, we recommend that each country be permitted to ship to the United States only sugar produced from sugarbeets or sugarcane grown in that country.

8. EXPIRATION DATE SHOULD BE AT END OF CALENDAR YEAR

H.R. 11730 sets the terminal date of the law at June 30, 1967. The industry strongly urges the committee to change the terminal date to the end of the calendar year, and preferably December 31, 1967.

Except for the temporary short-term extensions which have been passed since July 1960, the sugar acts have always run for full calendar years. Quotas can be set more equitably on a calendar-year basis in view of the seasonal nature of sugar production and the problems of scheduling procurement of raw sugar from distant areas. Consequently, marketing uncertainties and dislocations are caused by a midyear expiration date, and administration of the law has proven to be difficult in cases of expiration dates within the calendar year.

(Whereupon, at 12:20 p.m., the committee was recessed, to reconvene at 10 a.m., Wednesday, May 16, 1962.)

SUGAR

WEDNESDAY, MAY 16, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 10:20 a.m., pursuant to recess in room 1310, New House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, McMillan, Abernethy, Abbitt, Jones of Missouri, Hagen of California, Johnson of Wisconsin, Bass, Jennings, Matthews, Breeding, McSween, Inouye, Harding, Hagan of Georgia, Purcell, Belcher, McIntire, Teague of California, Quie, Short, Mrs. May, Latta, Harvey, Findley, Dole, Reifel and Fernós-Isern.

Also present: Christine S. Gallagher, clerk; John J. Heimburger, counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

We are honored this morning to have the distinguished Secretary of Agriculture with us. The Secretary has a prepared statement, and I hope that none of the members of the committee will interrupt him until he has concluded his statement.

Mr. Secretary, we will be glad to hear from you now, sir.

STATEMENT OF HON. ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN BAGWELL, GENERAL COUNSEL; LAWRENCE MYERS, DIRECTOR OF SUGAR DIVISION, AND TOM MURPHY, DEPUTY DIRECTOR, SUGAR DIVISION. ASCS, U.S. DEPARTMENT OF AGRICULTURE

SECRETARY FREEMAN. Thank you very much, Mr. Chairman, and lady and gentlemen of this committee. As you know, I am here this morning to testify on the very important matter of sugar legislation. I am well known to all of you.

There are many farmers in this country who would like to begin producing sugarbeets or sugarcane. There are many others who would like to maintain their present operations to expand somewhat. I know of no commodity or area in which the Secretary of Agriculture has had so many callers, including the members of this committee, who have been very properly concerned with it. We have tried to respond to these inquiries as accurately and as specifically as we could.

Ever since it became clear that our principal supplier, Cuba, was no longer a dependable source of supply, foreign and domestic pro-

ducers alike have wanted to market the sugar formerly supplied by Cuba. It is not news to this committee that there have been two short-term extensions of the act because of hesitation to make prematurely, perhaps, the organic changes in sugar legislation called for by the changed situation in Cuba.

Now one of the principal features of the sugar program over the years has been that it has enabled sugar producers to carry on with the foreknowledge of the conditions under which sugar would be marketed for a reasonable time into the future. And may I say at this time—and this is not in my prepared statment—I think that we see in the Sugar Act an outstanding example of an effective supply management program. Here we have managed, in the main, to accomplish stability, fair prices to cousumers and a fair income to producers. It is now time to return to that order of things and to regain the advantage of the continuing and substantial improvements in production efficiency engendered by major private investment in research and in facilities which is promoted by assured conditions of production and marketing.

Accordingly, we are recommending that the Sugar Act be extended for 5 years through June 30, 1967, and that the domestic areas obtain on a permanent basis the right to supply a substantial portion of the sugar not obtained from Cuba. We recommend domestic quotas amounting to almost 60 percent of the present total market for sugar and furthermore that 63 percent of future market growth be assigned to the domestic areas. These changes would increase total domestic quotas about 625,000 tons or about 12 percent.

The desire to produce sugar crops has been most intense on the mainland. Accordingly, the proposed bill provides quotas for the three offshore domestic areas adequate for their present and near-term production potentials with provision for quota increases if justified by future production.

The quota for the mainland cane-sugar area at the present level of consumption is increased more than 35 percent to 895,000 tons. The quota for the domestic beet-sugar area is increased more than 25 percent to 2,650,000 tons. The domestic area's 63 percent of market growth or a little more than 100,000 tons is about three-fourths of the beet-sugar area and one-fourth to the cane area. In view of the need to replenish inventories, the quota for the domestic beet-sugar area is sufficient to cover all of the sugar beets likely to be processed in existing factories plus an additional amount that would permit the entry of some additional localities of production.

There are many farmers located in localities where sugarbeet factories do not exist who would like to produce sugar beets. The recommendation provides that whenever it becomes necessary to restrict the production of sugarbeets, and an acreage sufficient to yield up to 50,000 tons of sugar, about the amount needed to start a new factory, would be reserved each year from the usual allocations based upon past production history. This acreage would be distributed to farms in a locality where there is presently not a beet-sugar factory or where there may be interest in establishing additional factory facilities. It would be available for assignment on a first-come, first-served basis upon an adequate showing by the interested persons in a locality that arrangements have been made for production, processing and marketing to occur beginning in a specified year.

When any of the domestic areas is unable to fill its quota the deficit would be assigned to foreign importations rather than to other domestic areas. On the other hand, if production increases in the offshore domestic areas, foreign importation would be reduced sufficiently to enable the offshore domestic areas to market increased production up to the entitlement that they would have had if the current law had been extended without amendment. These arrangements will stabilize the marketing opportunities of each of the domestic areas.

A quota would be established for the Republic of the Philippines in the same amount as provided in current legislation which is consistent with the terms of the Philippine Trade Agreement, namely 952,000 tons, tel quel, or 980,000 tons, raw value. The terms of importation would be unchanged. The balance of our requirements of 2,910,000 tons at the current level of consumption would constitute a quota for other foreign countries, 88.85 percent of such quota or 2,586,000 tons would be prorated to Cuba to become available to that country when we resume diplomatic relations. In the meantime, that quantity of sugar would be imported on a first-come, first-served basis from any country with which the United States maintains diplomatic relations and which is not excluded by the President in the national interest. Importations of such sugar would be subject to the payment of an import fee approximately equal to the difference between the world market price for sugar and a domestic price at the level which would fulfill the objectives of the Sugar Act.

This change reserves for Cuba a market for a substantial quantity of its sugar crop when we resume diplomatic relations. Meanwhile, it assures supplies to our consumers because most of the cane sugar exporting countries of the world will compete to furnish this important part of our total supplies—about one-quarter. It will open our market to friendly countries which would like to export sugar to us and it will avoid uneconomic expansion of sugar production in many nations of the world based solely on the hope to export to the United States at premium prices.

The balance of the quota for foreign countries other than the Republic of the Philippines would be prorated to the other countries which presently have quotas, to be imported subject to payment of a fee graduated on a rising scale from 20 percent in 1962 to 100 percent in 1966 of the full fee referred to above. The proration of this quota to Cuba and the full duty countries assigns to each the percentage share in the quota for countries other than the Republic of the Philippines provided in the present law at the current rate of sugar consumption, except that Cuba's proration has been reduced sufficiently to accommodate the increases in domestic quotas.

Since July 1960 when we ceased importing sugar from Cuba, our cane-sugar refining industry has been refining and marketing all but a minor portion of the 375,000 tons of refined sugar formerly imported from Cuba. This has compensated the cane sugar refining industry for their percentage loss of the total sugar market which stems from the fact that beet sugar marketings have been increasing at a faster rate than total market growth. The proposed amendment would retain without substantial change the direct-consumption limitations of the present act except that the 375,000-ton limitation within the

proration for Cuba would be reduced to 250,000 tons when we are in diplomatic relations with that country and eliminated completely at other times.

When the sugar within the Cuban proration is obtained from other countries subject to payment of the import fee, the Treasury would receive about $130 million a year of revenue based upon the spread between prices of sugar in the domestic and world market. Last year, the spread was a little less than $50 per ton; currently it is somewhat larger. If relations are not resumed with Cuba, the quantity of sugar subject to the full fee would increase in later years and by 1966 the retention of the quota premium on all foreign sugar other than from the Republic of the Philippines would approximate $155 million a year.

Secretary Ball will testify on the foreign relations aspect of the import fee. From the standpoint of the sugar economy, I would like to say that the "so-called global quota" would restore security of supply to a degree we have not known since Cuba became a Communist country.

At present, this part of our total sugar supply—about 2.5 million tons under the proposed bill—is broken up into a number of small compartments, each reserved for an individual country. A natural disaster in any one of them, a strike or other economic emergency, or a miscalculation as to production interferes with the flow of sugar from that source. This can no more be corrected quickly than it can be foreseen. With a global quota, our refiners have many countries from which to obtain their supplies. If a stoppage occurs in the flow from one source, additional quantities are readily available elsewhere. The situation reverts in essence to what it was when Cuba maintained a large reserve available on short notice when and as needed. I have heard it said that the so-called global quota will adversely affect security of our foreign sugar supplies. In fact, for the reasons I have stated, the reverse is true.

I have also heard it said that the import fee system might cause a flood of sugar to appear in our ports at the beginning of a year or at some other time during the year. I believe that there need be no such fear. The very nature of the flexible import fee eliminates the danger. If the flow of such supplies increases unduly, it means that the world price of sugar is falling and the fee should and would be increased to compensate. On the other hand, if the flow of supplies wanes, it means that the world price of sugar is rising and the fee should and would be reduced correspondingly.

Sugar users would have no price advantage through the use of the system, but they would have much greater assurance of supplies. On the other hand, domestic producers need not fear adverse effect upon their interests. They would continue to receive the income protection which is inherent in the sugar program. Furthermore, for the long pull the sugar program and the income protection imparted to our domestic producers by reason of that program would be on a sounder footing than it has been at any time since Castro came to power in Cuba.

Domestic producers would also be assured as to the volume of their marketings. Those in the offshore areas would have no practical limit upon their production during the term of the extension. In the main-

land cane area, because of the vast expansion in Florida, where the number of sugar factories has increased from 3 prior to last year to the 11 which will grind cane for this crop, it may be necessary to restrict production of the 1963 crop. However, it is unlikely that it will become necessary during the period of the extension to reduce acreage below approximately 445,000 acres. This acreage compares with 465,000 acres growing this year, which by the way, is about 105,000 acres more than the growing acreage for the 1961 crop which also was unrestricted.

As to the beet area, there were no acreage restrictions in 1961 and 1962 and in both years beet sugar factories, with rare exceptions, contracted for all the acreage that their factories could handle. The market growth to be assigned to the sugarbeet area of about 75,000 tons a year provides annual increases of 25,000 tons for old growers even if one new factory with an annual capacity of 50,000 tons comes into production during each of the years of the extension. In view of the need to replenish beet sugar inventories, it is questionable whether acreage restrictions would be needed in 1963. It is, of course, impossible to predict crops in future years or even for this year, and it is also hard to forecast to what extent yields of sugar per acre will increase. However, the probabilities are that the acreage available for established growers will not be less than that planted in 1961 when acreage was not restricted and when there was an incentive for growers to plant as much as possible to obtain production history. The acreage planted this year, of course, will not be known for some time. It may turn out to be slightly higher than the 1961 acreage. If it becomes necessary in any year to restrict production, a hearing will be held and all interested persons will have the opportunity of submitting their views on all relevant matters, including the years to be included in the base period. Presumably most growers would be inclined to recommend a relatively short span of the recent years as the proper base.

I believe the recommended bill provides the changes that at this time are needed to bring the sugar program into alinement with the situation that now exists.

I thank you, sir, for your courtesy, Mr. Chairman.

The CHAIRMAN. We thank you, Mr. Secretary, for your statement.

I would like to ask you a few questions.

First, I would like to say that I do not know of anyone in the industry who agrees with your position on global quotas. The act originally introduced and passed provided for certain specific purposes. I will not enumerate the purposes, but I am certain that you are familiar with them.

I do not know of anyone in the industry who agrees with your desire to recapture the premium or to make this market unattractive to the importers of sugar. Your proposition, if it is carried to its logical conclusion, would be that our market price would come down to the world market price, and the world market prices are now below the cost of production and at a starvation level. I cannot see how you could say that it would be better not to have the present quota system, not to have the premium. What is the advantage of doing away with the quota system?

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This program has operated for more than 25 years. Perhaps, it has operated better than any other farm program we have ever had. It has operated so well that people were not even aware of the fact that we had a program until communism came about in Cuba. And as a result of the operation of the program, the Treasury of the United States has been enriched to the extent of more than $400 million. The housewife has not complained about the price or the supply.

I cannot, for the life of me, understand why we should tamper with the basic fundamental philosophy of the program and run the risk of endangering the program.

You make the point here that the domestic producers will continue to receive payments. I do not agree with that. The minute you do away with the quotas and the premiums, you necessarily do away with the payments. I do not believe that we can continue this program without quotas to the various foreign suppliers and without premiums and without payments. I do not believe you can. I do know that if we did not have this program in existence the domestic sugar industry would be in bankruptcy in 90 days.

We know that our domestic producers cannot compete with the producers of other areas. That is one reason we wrote this bill years ago. I have lived with it through the years. I have seen it operate. I have been proud of it.

I just do not want to run the risk now of doing something that is going to endanger the program in the future.

I would like to have you explain, or to have somebody explain, what is to be accomplished by the elimination of the quotas.

Secretary FREEMAN. Let me try to respond to the chairman's very direct and proper question.

First, this has been a very successful program. This committee has passed on it and reviewed it over the years. And, as I said earlier, it is a good example of supply management, of managed abundance, if you will, and it has worked very, very successfully. I think it very important that the program be continued to assure stable supplies to the consumers at fair and reasonable prices and a fair return to the producer.

The new element, Mr. Chairman, of course, is the fact that Cuba has gone Communist and we no longer can rely on Cuba as a source of supply.

There is the matter of judgment involved here as to what we can do to have a dependable source of supply.

I recognize that the chairman, and some others, feel that national country quotas would provide the greatest assurance of that source of supply. In my best judgment—and I hasten to add that I am no expert on sugar as such—it would appear to me that the best way to insure a dependable supply would be the method outlined in the administration's bill. And this, indeed, is an area about which there is vigorous disagreement.

The CHAIRMAN. Are you not aware of the fact that these people who are experts in this field feel that if you do away with quotas you will endanger the program? I do not see how you can say when you bring the domestic market prices down to starvation levels or to world price levels that you are going to make this market attractive

and that this market will continue to be attractive and you will be sure of foreign sources of supply. I cannot follow that.

Then take the proposition that the elimination of quotas will recapture the premium. For what? To give it away to some other countries? So the net result is that you take a sugar program that has operated for 28 years successfully and make it into a world welfare program. I do not think that the countries we want to trade with want charity. They prefer to have trade. It is possible for all of these areas to sell sugar in our market. They have earned that privilege. They feel that they are trading and that they will be enabled to trade. If you take the quotas away from them, you are, in effect, putting the tariff up. I cannot see how that is compatible with the present program of lowering trade barriers. When you take away the premium you tamper with one of the fundamental principles of the program. And when you put a tariff on sugar, it means you take their money to give it away around the world. That is what that proposal is.

I have talked to just about everybody in the industry. I have talked with the representatives of the foreign areas. I have not found one person who agrees with this—who goes along with the proposition of recapturing the premium.

You say here in this statement that the Soviets and Cuba are formidable forces in the world sugar market. That is true. We understand that Cuba and the Soviet together control about 75 percent of the free sugar in the world market. If that is true, they could corner the market. They could get the prices way up, and they could drop the prices down to starvation levels. I do not think that we want to trade with favored nations on a starvation basis, nor do we want to get the market prices down below the cost of production.

I think I am safe in saying that everybody on the committee is in favor of a sugar program. I do not know anybody on the committee who wants to change the fundamental principles of it. They want it to be operated in an even more effective manner.

I do not recall that I have had a letter from any consumer or a consumer group complaining about the price of sugar, which has been fair and reasonable, both in times of war and peace.

That is my feeling about your program. I do not question your sincerity.

I want to compliment you by saying that, perhaps, during the whole 100 years of the Department of Agriculture which we are celebrating, there perhaps has never been a Secretary who has worked more diligently and fore faithfully and more sincerely than you have. And I compliment you on your efforts, but I cannot go along with this.

Secretary FREEMAN. You make the point very clear. Thank you. [Laughter.]

The CHAIRMAN. Mr. Poage.

Mr. POAGE. I want to commend you on your statement. Without going further into the foreign aspects of this bill, I would like for you to clarify one major aspect of the domestic sections of the bill. I think that your statement clearly expresses exactly what most of us have understood this intended.

On page 3 where you say that this acreage—that is, the acreage necessary to yield the 50,000 tons of sugar—would be distributed to

farms in localities where there is presently not a sugarbeet factory or where they may be interested in establishing additional facilities to be available on a first-come, first-served basis.

It was the understanding, at least by a great many people who are interested in developing sugarbeets in new areas, that this acreage necessary to produce 50,000 tons would be reserved from the growth factor and would be available to the Secretary of Agriculture for allocation in those areas which have not yet developed a sugarbeet industry and where there is a showing that it might successfully be operated. Obviously, that showing to you would, probably, depend on a showing that some private operator was willing to put up the money to build the mill. We have assumed that would be the best showing that could be made to the Department of Agriculture about that interest. And that you could and would allocate enough acreage from the growth factor to enable that new mill to produce 50,000 tons a year. That was your understanding, was it not?

Secretary FREEMAN. That is clearly my understanding. The statement speaks directly to that question.

The language in the bill now before the committee I had understood, in reading it myself, would so provide. If there is any doubt about it——

Mr. POAGE. I think that there is considerable doubt. You were referring to page 19 of the bill, are you not?

Secretary FREEMAN. Yes, sir.

Mr. POAGE. It states, "in order to make available acreage for growth and expansion of the beet sugar industry"—it does not say in new areas—"the Secretary in addition to protecting the interest of new and small producers by regulations"—it adds "small producers"—and those small producers do not have to be new producers—they cannot be—they are bound to be old producers. And it continues—

by regulations generally similar to those heretofore promulgated by him pursuant to this act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar.

And it continues, "the acreage so reserved shall be distributed on a fair and reasonable basis to farms"—it does not say farms in new areas—it does not say new growers—it says, "farms without regard to any other acreage allocations to States or areas within States determined by him."

We simply fear that once this allocation was so clearly authorized you could use it for the expansion of the existing mills, although that need is already cared for in the bill, that is, at least 25,000 tons is available for that purpose. We want to be sure that you do not look upon this language as permitting you to pass by the new growers in new areas.

Your statement points out that after we have taken this 50,000 tons out, there is still 25,000 tons a year to add to the capacity of the old mills.

And you point out in your statement that practically all of the mills in the United States ran to capacity last year, did they not?

Secretary FREEMAN. Yes, sir.

Mr. POAGE. If all of them were running to capacity last year, and they are going to have as much acreage next year as they had last year, then they will not need very much more acreage, would they?

Secretary FREEMAN. No.

Mr. POAGE. That figure of 25,000 tons is going to take care of those mills' capacity. Is going to give them an adequate basis for expansion of their old mill.

Therefore, what we are asking, and what we understood, and I think that you agree with us, is that this legislation shall make certain that, at least, 50,000 tons a year will be available for the new growers in new areas. We understand that that does not commit you to install a mill in Missouri, in Texas or in any specific area or——

The CHAIRMAN. Or in Hawaii.

Mr. POAGE. We understand that that leaves it to your discretion to determine where the interest is shown to be most sincere—and I repeat that would, probably, be shown by a commitment of money to build the mill in the area—but that you would not use that 50,000 tons to expand the capacity of the existing mills so long as it might be needed in new areas. Is that your understanding?

Secretary FREEMAN. That is my understanding.

Mr. POAGE. Thank you very much. That is all I want.

The CHAIRMAN. Mr. Short.

Mr. SHORT. Do I understand this completely then that we are talking about the 50,000 tons, no part of which is going to be used to expand the capacity of the existing mills? The 25,000 tons could be used to expand the production in an area now serving an existing processing plant?

Mr. POAGE. With just one exception I think you have got it exactly right. I think the 25,000 tons in available regularly each year to expand the capacity of the existing mills or for the expansion of existing areas or for any other purpose which the Secretary may decide.

The 50,000 tons must, first, be made available to new mills in new areas. If it is not used in new mills in new areas then, of course, it is available in the old areas. But the opportunity must first be given to use these 50,000 tons in the new areas.

Mr. SHORT. The only question that still arises in my mind, Mr. Chairman, is how much nit picking, perhaps, is going to go on in determining what constitutes a "new area." Is this a brand new area where no sugarbeets have ever been produced before, or is this an area—and we have many of them around over the United States—where beets are now being grown on a rather small basis and are being shipped considerable distances to an existing plant? Does that constitute a new area?

Mr. POAGE. I think that the Secretary's statement pretty clearly covers that when he said that this acreage would be distributed to farms in the locality where there is presently not a sugarbeet factory.

There might be somebody growing sugarbeets. Obviously, in almost every area of the United States somebody is growing sugarbeets, if they do nothing but grow them out in the garden to see what they can do.

I am interested, primarily, in the plains of Texas, and in Oklahoma and New Mexico. Obviously, there are some people who grow some beets there, because they ship some beets up to Colorado for processing

today. But, certainly, it is an area in which there is not any existing sugar mill. You have areas in your part of the country, such as in the Red River Valley——

Mr. SHORT. That is right.

Mr. POAGE. And you have other areas which are just beyond the practical or economical distance to transport those beets to the mills, but they have been growing some beets and are growing some beets.

Mr. SHORT. That is exactly the point I want to clarify.

Mr. POAGE. I think those are new areas if they do not have a mill within a reasonable distance. That is quite clear from the Secretary's statement.

Mrs. MAY. As a specific example I cite our Columbia River Basin project where we have a new grower area with a mill in existence at Moses Lake. And we have a new grower beet area right next to it. And I would like to know, does that come within your definition of what is a reasonable geographical distance, because within 30 or 40 miles we have a growing area which is not able to get its beets purchased and contracted for by that mill in Moses Lake. For this reason, that they have always shipped down to another State to have their beets processed. They have been growing beets but have no mill to service their area.

Mr. POAGE. I think clearly, Mrs. May, that the question of how close you have to be to an existing mill depends upon the condition of the roads, the cost of transportation to that mill, and the ability of that mill to handle those beets. I think that it is obvious that if you have a mill—as for example, Mr. Kemp has a mill at Scottsbluff, Nebr., and 3 miles away one at Gering. Presumably, he put the second mill in there because the first one could not serve the Gering Valley on the south side of the river.

It seems to me that whenever there is no processing facility available on a practical basis to the people that that area may fall within the definition that the Secretary gave.

But I want to make it clear that I was not trying to write the definition into this bill, because to do it you are certainly going to exclude some areas that should be included and vice versa. For my part I am perfectly willing to accept the Secretary's statement that it is a "new area" where there is no sugar mill and to reply upon his sound judgment to determine how close a sugar mill has to be. I think it will depend on a great many things.

The CHAIRMAN. Mrs. May.

Mrs. MAY. Mr. Secretary, my questions have to do with the point that Mr. Poage has so ably brought out. I think it is very important to get this information in the record. I do agree with him that while we cannot in this legislation write out the exact geographic areas and all of the criteria which the Secretary should follow in making allotments, I feel we might offer guidelines for the legislative record. What is a new area? Cannot an area be defined as a new grower area even though there is a sugar processing mill within the region?

Secretary FREEMAN. May I just say that I am very pleased that this discussion has been held and this point clarified. I think my statement makes it clear that the 50,000 tons is directed to the new areas. And I would like to say to all of the members of this committee that this will not be an easy decision to make, but the law

provides for notice and for public hearings. And the emphasis, if factories are equal, has been on the first-come, first-served basis.

But might add, that although the Secretary of Agriculture has, on occasion, been referred to as seeking great power, that in this instance, if this committee could put in more guidelines, why, I would be very pleased.

Mrs. MAY. There is one other point I have. The very clear distinction which has arisen from this colloquy about the 50,000 tons, which is for the creation of new mills, the development of sugarbeet production, and the 25,000 tons annually available for expansion purposes. Here again under this legislation would it not be possible to give emphasis to the existing mills that are in what we call new grower areas? I am referring to this area completely surrounded by what we call a new grower area. It is possible that we could under the expansion provided in this bill to provide some help, allowing for more of the new growth to provide for expansion of an existing facility in an area that is still designated as a new grower area.

Secretary FREEMAN. What you are really suggesting, Mrs. May, is that in the allocation of quotas to the areas that a preference be given to new, as you would define it, recently producing areas as distinguished from an older area that has been in production for a longer time.

Mrs. MAY. Would this be unfair to do this?

Secretary FREEMAN. As it now stands—Mr. Myers administers this law and he may have some additions to my general statement—we would follow the practice which has been followed of allocating this additional growth based upon the proportionate shares around the United States in a given pattern of production which, necessarily, would vary according to the desirability and to the wishes of both the growers and the processors in various areas. And I doubt very much that we could pin this down definitively, either. If this committee saw fit to say that a recent growing area should be one of the factors to consider by way of preference with other factors, why, the Department, of course, would seek to follow the policy determined by this committee.

Mrs. MAY. This is a point, perhaps, where a decision should be made?

Secretary FREEMAN. Yes.

Mrs. MAY. So as to have a fair point of criteria, in granting some of this expansion of growth.

One more question, Mr. Chairman.

Mr. Secretary, on page 8 of your statement, you say about the middle of the page, "in view of the need to replenish beet sugar inventories, it is questionable whether acreage restrictions would be needed in 1963."

I am very happy to hear that statement. Yesterday Mr. Frank Kemp, as a very able spokesman for all portions of the industry, testified that under this new formula the beet areas will get 2,650,000 tons of allocation, but there was some discussion with him referring to the fact that while this year's production was considerably under that—something in the neighborhood of 2.4 million I believe—that it is quite possible with weather conditions and other factors that we would have an unusually large harvest in sugarbeets in this coming production

year, and that this would be above the quota in the new legislation; and therefore, quite obviously would make it necessary to impose acreage restrictions.

It will be difficult for those of us representing these sugarbeet areas, to explain to our growers that even under this new bill, it will be necessary to impose acreage limitations? So I am glad this is in your statement. Would you enlarge on that statement a little bit?

Secretary FREEMAN. Well, you will notice that the statement is qualified in relation to circumstances that might arise that cannot be foreseen. As it now stands sugar stocks are not at a high level—quite the contrary—they are relatively low. The net result is that there would be no reason this year to attempt to curtail the production to prevent an oversupply situation.

And further—and I do not think this is generally known—in addition this act provides that the processors shall make fair payments to the producers, and as such some of the necessity by way of legislation with other commodities to help to protect the producers and to strengthen their income, does not exist to the same extent in this act. And so for these two reasons, as nearly as we could, we did not think it likely that it would be necessary to have acreage allotments, but I, certainly, would not say dogmatically that circumstances might not arise. And if they did, we would have to exercise our best judgment and act accordingly.

Mrs. MAY. If this legislation were so amended by this committee, with a slight upward increase in the basic quotas, under present production, this overquota production would not occur. Would you oppose such a change?

Secretary FREEMAN. I think that the present domestic quota has been very substantially and handsomely increased in the recommendations by the administration. And as such at this time I would hope that this recommendation which has been developed after discussion with members of this committee and interested parties is one that the committee would support.

Mrs. MAY. One more question then. Back on page 3 of your statement, where you speak of acreage restrictions, you say in line 4, beginning about the middle of that line, "the recommendation provides that whenever it becomes necessary to restrict the production of sugarbeets"—then and only then will this acreage of 50,000 tons be reserved for allocation.

Secretary FREEMAN. This means that if there is no acreage allotment, why anybody, of course, can plant anything they want, as they have in the past.

Mrs. MAY. It says and provides, "an acreage sufficient to yield up to 50,000 tons of sugar"—an acreage sufficient to yield up to 50,000 tons of sugar.

Secretary FREEMAN. The restrictive provision there refers to the fact that we do, of course, have an overall quota assignment within which we are operating, and there will be total allotments to the processors in due time, so it is set out according to the law and pursuant to the domestic quota. Now if we did not have that—if we had no kind of program why, obviously, we would not need to set aside 50,000 tons for new areas. So, in effect, what this says, is that so long as there is a sugar act operating with a domestic quota to which

we are limited, we would expect to set aside the 50,000 tons for the new areas.

Mrs. MAY. It just seemed out of context there.

Secretary FREEMAN. As I reread it, I can see where it could be misunderstood.

Mr. POAGE. Will you yield there?

Mrs. MAY. Yes.

Mr. POAGE. May I inquire, because it seems to me quite clear that if we are not going to have quotas in 1963—those of us who are interested in new production might find ourselves in exactly the same situation we have been in for several years. Is it possible—may I inquire of the Secretary or Mr. Myers—is it possible that you could have a situation that would not require quotas on any particular producer or allotments of acreage, but would apply to all allotments or assignment to the various processing plants?

Secretary FREEMAN. The Congressman has put his finger precisely on the point that we have been discussing with Mrs. May previously to the last question, which has been what actually is called technically in the law the assignment of the proportionate shares to the producers themselves as distinguished from what we might call a marketing quota which would run to the processor which we would anticipate assigning pursuant to the law under the domestic quota provision.

Mr. POAGE. And you would be in a position, even though it is not necessary to assign proportionate shares to producers in 1963, to make the assignment to the processor?

Secretary FREEMAN. That is correct.

Mr. POAGE. And that would mean that someone would have the opportunity to start a new mill somewhere in the United States?

Secretary FREEMAN. That is correct.

Mr. POAGE. Thank you.

Mrs. MAY. I wanted this for clarification, Mr. Poage, and this definitely ties it down to the processor.

Secretary FREEMAN. There are the two types, the marketing quota, to use the technical language, running to the processor, and the proportionate share which would run to the producer. And what I said in the statement was that we at this time thought it was not likely that we would assign proportionate shares to producers, but the act itself would provide for marketing quotas running to processors.

Mrs. MAY. Thank you. I take that for granted. Thank you, Mr. Chairman, that is all.

The CHAIRMAN. Mr. Breeding?

Mr. BREEDING. Mr. Secretary, I want to compliment you on your statement this morning. I think it was very much to the point. I would like, however, to ask a question, which has to do with the last paragraph on page 3 where it says, "When any of the domestic areas is unable to fill its quota the deficit would be assigned to foreign importations rather than to other domestic areas."

In view of the fact that in prior legislation those deficits have come back to the domestic producers, why was that changed?

Secretary FREEMAN. It was changed after long consultation and review in the interest of maintaining a greater degree of stability in the domestic market. It was felt that the potential shifting back and forth from area to area, based upon variable factors, interjects a

degree of uncertainty in the market and that it would be to the benefit of all concerned if a given area was subject to circumstances where they did not meet their quota, that it be assigned, be gotten from outside sources, rather than encouraging production in one area domestically which, subsequently, would then have to be discontinued when the original area returned and was able to produce according to their quota.

Mr. BREEDING. Can you bring that deficit back then the next year?

Secretary FREEMAN. Yes. It would be anticipated that if an area failed to produce and to meet their quota, that this amount of sugar for the year in question would be obtained in the international market, and for the following year they would then seek to meet their quota which is set out, and we would then have to stimulate some production in a given area which would have to be cut back the following year, which is both a hazardous and unpleasant prospect.

Mr. BREEDING. Mr. Secretary, in regard to the growth factor, it appears from your statement that 63 percent of the growth factor will now be assigned to the domestic producers. Why do you not assign them 100 percent of the growth factor? It belongs to the people here. It is created here. But you only give them 63 percent.

Secretary FREEMAN. I would respond to that by saying that in order to sell you have to buy. And one of the things we have bought and do provide a market for is sugar and that I think the assignment in terms of foreign markets and domestic markets is a fair and equitable one. It represents a substantial increase to the domestic producers. And that such balancing out, I would feel, is an appropriate allocation.

Mr. BREEDING. Mr. Secretary, I represent an area in the United States that has considerable irrigation. It is a new area. It has been producing wheat and feed grains which are presently in surplus. Can you tell me how I can get a factory for my people and acreage to run this factory?

Secretary FREEMAN. No, sir.

Mr. BREEDING. You cannot give me anything with which I can go back and tell my people at home how to do this?

Secretary FREEMAN. Let me just say that I would respond to your question by saying that there is a provision in this bill for 50,000 tons of sugar which is the amount called for to operate efficiently by way of processing each year in a new area. If the area to which you refer wishes to produce beets and there is a processor who desires to construct the necessary facility we, in the Department of Agriculture, know that the Congressman from Kansas would present that case most ably and eloquently. And I can assure you that we would consider the proposition carefully.

The CHAIRMAN. Let me say this off the record.

(Discussion off the record.)

The CHAIRMAN. Mr. McIntire.

Mr. MCINTIRE. I will move to a new area. I would like to get your opinion, which I would take as being the administration's opinion, on a couple points on page 4 of your testimony.

My question is, does the administration believe the economic well-being of the domestic sugar industry is dependent upon tariff duties?

SECRETARY FREEMAN. No.

Mr. McIntire. Well then, in the middle of page 4 it says, "importations of such sugar would be subject to the payment of an import fee approximately equal to the difference between the world market price for sugar and the domestic price at the level which would fulfill the objectives of the Sugar Act."

Now you say the administration does not support the principle of import fees?

Secretary Freeman. No, the question that the Congressman asked was on tariffs, and my answer was "no," and this act does not rest on tariffs, but it does rest on an import fee.

Mr. McIntire. Then you see a difference between the two terms? The word "tariff" is not appropriate?

Secretary Freeman. Yes, sir, the answer—let me try to be responsive to the question, the answer is yes, that if we had not imposed limitations on sugar into the United States that the sugar coming in would have very grave effects on the domestic sugar industry.

Mr. McIntire. Let me ask you, then, how do you distinguish between the terms "import fee" and the term "tariff"?

Secretary Freeman. Well, in this instance, why, the fee which is involved would be set to the difference between our domestic price and the world price and it would be a variable fee which would change according to the international situation. "Tariff" is a fixed specific or ad valorem duty, that would be a given percentage in terms of value and I think that the fee and a tariff are two different things and used quite differently in the trade.

Mr. McIntire. Your import fee would be related to value, would it not; that is, the value of sugar at a price in the public interest as against the price which could otherwise be obtained?

Secretary Freeman. The application of the two is different. I don't want to nitpick about it and if the Congressman wishes to call "import fee" a "tariff" then I will try——

Mr. McIntire. It is the imposition of a monetary consideration to get the sugar into this country?

Secretary Freeman. Well, that is correct.

Mr. McIntire. And you can call it "tariff" or you can call it "import fee" or anything you want?

Secretary Freeman. That is correct.

Mr. McIntire. Whether this monetary consideration is based on the prices outside the country or whether it is based on ad valorem basis, seems to me a little bit academic. It is a monetary consideration designed to bring the price into balance with the internal domestic situation as contrasted with the external prices of sugar, is it not?

Secretary Freeman. That is correct.

Mr. McIntire. And the Administration is for this principle?

Secretary Freeman. In this instance, the act recommends the application of this fee, that is correct.

Mr. McIntire. Well then, am I to interpret your position that everything is dependent upon the commodity involved and the particular kind of legislation that might be on the status books?

Secretary Freeman. Different commodities must be treated differently in connection with the trade agreements that we enter into with other countries. There are different tariffs and different agreements running all away across the board.

We have tariffs on some things. We have quotas on some things. We have complete open entry on others.

And I might add for the record that we in the United States have broader entries and freer trade, agriculture-wise, despite the fact that there is a lot of comment to the contrary, more than almost any country in the world. I mean, the restrictions on imports of agricultural commodities into the United States are relatively limited, much less so than most agricultural producing nations around the world.

Mr. McIntire. Well, I agree with you there but I would go further. I would not restrict it to agriculture. I think that our import restrictions go pretty much across our economy and they are as low as those generally around the world.

Mr. Poage. Would you yield for a second?

Mr. McIntire. Pardon me, sir, I will pursue this for a moment.

Then, to the extent that the administration interprets it, as under this proposal, it is in the public interest to use this monetary consideration for one kind of import—am I correct in assuming that?

Secretary Freeman. In this instance this is an act that has been submitted by the administration which is before you now which calls for the application of a fee in connection with the administration of the sugar program, yes, sir.

Mr. McIntire. Let me refer to another statement you made just before, Mr. Secretary. I think it would be of interest for the record to have some clarificaton about your testimony. On page 4 you say:

"In the meantime, that quantity of sugar would be imported on a first-come, first-served basis from any country with which the United States maintains diplomatic relations and which is not excluded by the President in the national interest."

Would you elaborate on that, especially the words "not excluded by the President in the national interest"?

Secretary Freeman. Well, as we have seen in some of the recently developing events around the world, why, we have excluded sugar, for example, from admission into this country from certain nations that we consider hostile to us, and this would make it clear that that same power is reserved for contingencies that might arise in the future.

Mr. McIntire. Would you consider that the language in the bill—and I think that the restrictions do not come so much from the language of the bill but the interpretation—is adequate to protect the transshipment of sugar from Communist countries into the United States, via a country which has diplomatic relations with both the Communist countries and the United States.

Do you consider the language is adequate to meet that situation?

Secretary Freeman. I would want to go back and review the language. Do you have any particular language in mind at this point, Congressman?

Mr. McIntire. No. I had assumed that you were prepared——

Secretary Freeman. Well, we think so, as it now stands, and would of course seek to comply with the law in that regard and with every resource at our command.

Mr. McIntire. Well, on the face of it, would you consider under the priority of the right to extend to those countries on the basis of maintaining diplomatic relations that we could then directly import

sugar or buy sugar for our shores from Communist countries—would you assume that?

Secretary FREEMAN. No.

Mr. MCINTIRE. No?

Secretary FREEMAN. No, sir.

Mr. MCINTIRE. Thank you.

The CHAIRMAN. Mr. Inouye.

Mr. INOUYE. Thank you, sir. Mr. Secretary, I have been told by many sugar experts that the phrase "world market price" is a misnomer, that it should be called "world excess price" or the "world surplus price" because this world market actually represents approximately 15 percent of world production; and further that the so-called surplus price is much lower than the cost of production of sugar throughout the world; and, further, that the Communist bloc nations control a substantial portion of this excess market and could easily manipulate the price and with such manipulation could cause havoc in our price determinations domestically. Could I have your comment on that?

Secretary FREEMAN. My only comment would be that to my best judgment, your experts are wrong.

Obviously, we don't think that this would occur or the bill would not have been submitted as it stands.

Mr. INOUYE. But, Mr. Secretary, isn't it true that the world market price is actually lower than the cost of production throughout the world?

Secretary FREEMAN. It is lower than the cost of production in many places and as I understand, it is reflected by a relatively minor part of the total production—again, I do not like to make any claim of expertise in this, but from my review and discussions with people who I feel to be competent, it is that access to our market under the circumstances set out in the bill would result in a price which would be an economic one and which would afford adequate supplies and would assure us more adequate supply than the country-quota system. That is our conclusion.

Mr. INOUYE. Mr. Secretary, since the Communist-bloc nations according to statistics control approximately 75 percent of this world market, isn't it conceivable that these Communist-bloc nations could readily manipulate the world market price?

Secretary FREEMAN. We have considered that, Congressman, and felt that they would not be able to do so and that the freer nations would respond and that the price of sugar which would be fair in terms of their producers and their economy, would result.

And this, I would repeat, is a matter of judgment and is our best judgment.

Mr. INOUYE. Thank you very much.

The CHAIRMAN. Mr. Quie.

Mr. QUIE. Mr. Secretary, in determining what the import fees would be on foreign countries on a first-come, first-served basis, would you go about establishing in some way a world market price and if that happened to be a price which is offered above the world market price or below it, that would not go into the determination of the import fee?

Secretary FREEMAN. Well, it is contemplated that through the normal channels of trade, that the sugar would move into the United States and it would move in here at a price which would reflect the market factors, which price would certainly be strongly influenced by the addition of a substantial increased consumption demand; that when that price was realized, and I am sure it would fluctuate as prices do, why then the difference between that price and our domestic price would be the fee.

Mr. QUIE. As I understand what you said it would mean a price that the country is offering the sugar for, or some world market price that was established?

Secretary FREEMAN. It would be the market price at which sugar is purchased by those who are in the sugar business, to bring sugar into this country to meet the demand which is set out according to the foreign quota and whatever they paid in the world market for it, which would fluctuate according to a lot of conditions—and the difference between that market price and our domestic market price would constitute the fee.

Mr. QUIE. You would then establish the fee after the sugar processors in this country have purchased a quantity of sugar which would enable them to develop the world price?

Secretary FREEMAN. That is correct. It would be brought in, in effect, and, the term has been frequently used and discussed in this committee, a free market price would be paid for it.

Mr. QUIE. Well, if it was brought in a free market, those countries would not know what the fee was until some time after——

Secretary FREEMAN. It would not make any difference to the countries what the fee was. They would be coming in and selling at a given price to someone who is a distributor here and he would make his own arrangements through the medium of private trade for sugar and that price would fluctuate and the difference between that price, why, the individual handler or whatever we wish to call him, would have to make that difference because it would move into the domestic market at a higher price——

Mr. QUIE. Then the handler or processor would actually pay the fee?

Secretary FREEMAN. That is correct.

Mr. QUIE. Would you call this a variable fee?

Secretary FREEMAN. In the sense that it is applied in, for example, the Common Market, the answer would be no, because it is very clear this is going to be within certain fixed ranges. It is also clear that certain quantities are going to be available and a certain market is assured.

Our problem in the Common Market, for example, that we are deeply concerned with, runs to the fact that there are no limits on these fees in the Common Market, number one; and number two, there is no kind of assurance that any percentage of our historic market in that area will be continued and so there is no parallel whatsoever between the application of a variable fee here and the variable-fee problem that we see and are concerned with in the Common Market.

Mr. QUIE. This import fee will not be paid then as far as the Republic of the Philippines?

Secretary FREEMAN. No, because there is a separate treaty with the Philippines.

Mr. QUIE. What about the other foreign-quota countries like Peru, the Dominican Republic and others, will they pay the same kind of fee as those countries that are fulfilling the quota which Cuba is not filling?

Secretary FREEMAN. Eventually they will have a quota based upon the quota that they had before the Cuban development adjusted to our present volume of consumption of 9,700,000 tons on the basis of a fee of 20-percent more of the full fee each year and they would move to a position where they would be paying a full fee in 5 years. They would continue to have the quota that they had previously to the Cuban development as far as assured access to market is concerned.

Mr. QUIE. What is the advantage of that "end of 5 years"—is it merely the fact we are reserving that market for at least that portion?

Secretary FREEMAN. That is correct.

Mr. QUIE. Thank you.

The CHAIRMAN. Mr. McSween.

Mr. MCSWEEN. Mr. Secretary, during the course of the discussion on the quota situation it occurred to me that this program requires the usual amount of attention to problems—and my constituents tell me they never have any problems with the Secretary of Agriculture.

I note in the language of this bill that there are references to the Secretary, and I assume that the previous legislation contains the same language, "the Secretary."

Will you recommend that we specify the Secretary of Agriculture as distinguished from this language of just "the Secretary" so that—well, we seem to have difficulty with other Secretaries. [Laughter.]

Secretary FREEMAN. I am sure that the Congressman will understand that I prefer not to comment on that last.

Our General Counsel points out that under the Sugar Act, under the definition section the term "Secretary" means the Secretary of Agriculture. I did not know that. [Laughter.]

Mr. MCSWEEN. Well, I think it is good that we both realize it.

Secretary FREEMAN. Thank you.

Mr. HARDING. Mr. Chairman.

The CHAIRMAN. Mr. Harding.

Mr. HARDING. Mr. Secretary, I would like to follow a little further the line of questioning that Mr. McSween was pursuing.

We have a lot of faith in the Secretary of Agriculture, but if the global quotas were adopted—which I would like to say right here that I am opposed to—isn't it true that they would be largely administered by the Secretary of State?

Secretary FREEMAN. No, Congressman, I think it would be administered by the Department of Agriculture. Actually there would not be too much administration involved. It would be a matter of the trade bringing in given amounts of sugar at given prices that would be determined at the international market price.

We would need to police it, of course, to see to it it is properly handled, but I don't think any other department than Agriculture would be involved in it.

Mr. HARDING. Well, there would be a determination to be made. There could be a great abundance of sugar and many countries want-

ing to send sugar in. Obviously there would be great bidding. Wouldn't the Secretary of State have a great influence in deciding which countries brought sugar in?

Secretary FREEMAN. I don't think so. The determination actually would not be made by our Government as such except that only the given percentage of 9,700,000,000 tons could come in.

The question then would be in terms of people who are in this industry who would proceed to make contracts and arrangements and shipments, and we would of course not permit the entry of sugar from sources that are hostile to the United States. Outside of that it would be something that would respond to the natural forces in the marketplace and we would not say that it would be this country or that country or another country that would supply the sugar. One of the problems—and I don't mean to speak of political problems here, but one of the problems has been the very difficult one of determining what country ought to get so much—and this would be eliminated in this approach.

Mr. HARDING. I thank you, Mr. Secretary, for the answers to my questions and also for the fine job you are doing for the American farmer and although we may differ on this matter or that matter, I certainly hope that we will not make your job an unpleasant one.

Mr. JENNINGS. Would you yield?

Mr. HARDING. Yes.

Mr. JENNINGS. Are you suggesting that we move in the direction of freedom, that the Secretary be divested of these powers of control over the surplus in sugar?

Mr. HARDING. No; I am suggesting to my friend from Virginia that we move in the direction of the program that has been brought up by the allied domestic industry.

The CHAIRMAN. Mr. Findley.

Mr. FINDLEY. Mr. Secretary, do you have a target date and long-range planning the Department indicating when we could get away from the sugar quota approach?

Secretary FREEMAN. No.

Mr. FINDLEY. Wouldn't you acknowledge that our experience with the sugar quota system over the years has indicated that Government control tends, once it is started, tends to become permanent?

Secretary FREEMAN. No.

Mr. FINDLEY. If it does not tend to become permanent, when do you think it might end in this case?

Secretary FREEMAN. I don't know.

Mr. FINDLEY. Do you have any hopes of moving in that direction?

Secretary FREEMAN. We are studying it, Mr. Chairman.

Mr. DOLE. Mr. Secretary, as a practical matter, is there any real hope for new new growers in the areas where processing plants are operating under this program at full capacity.

Secretary FREEMAN. We really need to go, I think, area by area and review the capacities. It is hard to answer that on a blanket basis. I am sure there will be some and there will, of course, be the new areas that we have discussed at considerable legnth, there has been a very sharp expansion and we are very pleased and happy that there will not have to be a cutback.

Mr. DOLE. I think one way as far as new plant locations would be to go alphabetically. [Laughter.] Kansas would be near the top.

Secretary FREEMAN. I am sure that your colleagues would comment if you made such an amendment.

The CHAIRMAN. Mr. Beermann.

Mr. BEERMANN. Mr. Secretary, would it be helpful to the Secretary in determining the allocation if this committee would provide that an additional 1 million tons be allocated domestically so that perhaps 20 new mills could be built?

Secretary FREEMAN. I think the domestic allocation which has been determined at this time balances the aspirations and desires of the domestic producers and prevents any need of cutback and at the same time recognizes some of the other interests of this Nation in a fair manner, and I would hope that allocations and percentages as discussed by many, many people over an extended period of time, seeking to balance the interests of all concerned, would commend themselves to this committee.

Mr. BEERMANN. Let us assume that there are two areas that are capable of producing the tonnage and building the plants. Would the Secretary allocate the two areas, or what criteria would he use to allocate one?

Secretary FREEMAN. Well, if you assume there are two equal situations under the new-grower provision and that they were identical in every respect, I would expect that the criterion would then be as we said, first-come, first-served basis.

Mr. BEERMANN. That would be the criteria that would be used, first-come, first-served?

Secretary FREEMAN. Yes, sir.

Mr. BEERMANN. Then, Mr. Secretary, due to the fact that the sugarbeets could be grown on land that is presently producing crops in surplus, would you consider tranfers of production from crops in surplus to sugarbeets, not in surplus, as part of the criteria?

Secretary FREEMAN. Well, this would be one of the factors that might be taken into consideration under the construction set down in the bill presently and in that event, they would not be equal circumstances and I doubt if you will ever get the two identical circumstances.

The CHAIRMAN. Mr. Abbitt.

Mr. ABBITT. One question. Mr. Secretary, I notice on page 4 of your statement, in the first sentence, that a quota would be established for the Republic of the Philippines. I am not very well up on the sugar quota at all but would that mean they would have special consideration?

Secretary FREEMAN. We have a treaty with the Republic of the Philippines, Congressman, and we are meeting the commitments made under that treaty in assigning the quota.

Mr. ABBITT. That is covered in the treaty?

Secretary FREEMAN. Yes, sir.

Mr. ABBITT. When that treaty was made, did the people making it bear in mind or have in mind that they have prohibited the importation of American cigarettes there?

Secretary FREEMAN. I don't know sir. I did not negotiate the treaty.

Mr. ABBITT. I hope that you bear that in mind.

Mr. HAGEN of California. Mr. Chairman, I would like to ask a question.

The CHAIRMAN. I wish you would hurry up, time is running out.

Mr. HAGEN of California. Thank you. I understand Mr. Secretary, there will also be a quantity of sugar which is moved under quota, is that correct?

Secretary FREEMAN. The so-called national, country quotas that existed prior to the severance of relations with Cuba would be continued. Now, they would be in part phased out, in a sense, they would have graduated variable fees over a period of 5 years, outside of those quotas the purchase of sugar coming into the country would come through an international quota on the basis of the trade at present.

Mr. HAGEN of California. On the face of it, I would prefer having the Secretary of State allocating the sugar quotas rather than a minority of the Congress—and I suppose you have very good reasons to be back of that proposal. I wonder what some of the reasons are for this system of quotas that went into this recommendation. What is the justification for these global quotas?

Secretary FREEMAN. Well, there is no system of global quotas, it is merely a global quota.

Mr. HAGEN of California. Well, a global quota, put it that way. What is the justification for that kind of a quota as contrasted with the one which we have which, I say, has been made by a minority of Congress?

Secretary FREEMAN. Well, our best judgment, which obviously is not shared too extensively by this committee, has been that the United States would have a more stable supply of sugar under this system which we recommend here than would be the case in assigning national country quotas.

Mr. HAGEN of California. Are you talking about global quotas or just talking about Cuban sugar?

Secretary FREEMAN. Well, the Cuban sugar minus the part that is now going to increase our domestic share would be the international, or so-called global sugar quota.

Mr. HAGEN of California. Well, there are other considerations but as I say I would rather have that done by the State Department rather than by a minority membership of the Congress.

Secretary FREEMAN. I know that the State Department will testify here and I am quite sure their experience has been the same as mine, that it has been very difficult to try to portion out shares of our sugar allotment to different countries. Everyone here is in politics and has learned, as I did a long time ago, that if you appoint one man to a job, you have got 10 enemies, and in this instance, when we tried to help one country, we disappoint another. That has been my concern in the part I had in exercising discretion under the temporary extension, and I believe the State Department feels the same way about it.

Mr. TEAGUE. Would you yield?

Mr. HAGEN of California. Yes.

Mr. TEAGUE. I assume that he would join me in expressing the hope that the Secretary of Agriculture, when considering quotas for the Republic of Mexico, will bear in mind that at the present time Mexico is prohibiting the export of oranges from this country to Mexico.

The CHAIRMAN. Off the record.
(Discussion off the record.)
The CHAIRMAN. Mr. Latta.

Mr. LATTA. I would like to ask this question which apparently has not been brought out and I think that somewhere during the course of the sugar hearings it ought to be answered. I figure you, Mr. Secretary, are just about the person to answer it.

Realizing that we have a tremendous surplus in wheat and a tremendous surplus in food grains, and we are asking these producers to cut down, how can we answer to the American people if we limit new domestic producers and new areas to 50,000 short tons a year or one-third of our annual growth needs? When we have an annual consumption of 9,700,000 tons, why are we restricting these producers to 50,000 tons? Don't you think it would be a good idea to let these people produce more beets domestically, thereby taking up some of the slack in our farming areas while at the same time cutting down on crops that are in surplus? Would you like to comment on that?

Secretary FREEMAN. The bill does provide a very substantial increase in the domestic quota and as such will permit the continuation of very substantial new acreages and plantings.

Mr. LATTA. You are referring to an increase in the domestic quota of 50,000 tons as "substantial"?

Secretary FREEMAN. I am referring to an increase of the domestic quota from 53 percent to close to 60 percent which would be about 7 percent and that would be about 700,000 tons. I think that is very substantial, roughly 625,000.

Mr. LATTA. Well, in comparison how does that compare with Cuba?

Secretary FREEMAN. Cuba does not have any quota.

Mr. LATTA. With what she had before we cut her off?

Secretary FREEMAN. Cuba had a quota in excess of 3 million tons.

Mr. LATTA. That is being redistributed?

Secretary FREEMAN. That is being redistributed domestically and to foreign friendly countries as a group.

Mr. LATTA. And to foreign countries?

Secretary FREEMAN. That is correct.

Mr. LATTA. I am sure the American farmer and the American taxpayer will ask why we are not providing more for the domestic producers in this bill.

Secretary FREEMAN. Well, first, we are giving a very generous share, 625,000 tons, which represents the increase in the percentage, as I said from 53 to close to 60 percent, which has been a very very significant aspect of our domestic sugar production, and the provision to which you refer is for new areas and there are a number of people who are concerned with it. The lady that is sitting to your right and also the gentleman from Texas, I know that they are concerned, and I know of others who have called on me about new areas.

Mr. BREEDING. Would you yield?

Mr. LATTA. Yes; but one further question. I notice you have Hong Kong listed. Where does that sugar come from—is that from Red China?

Secretary FREEMAN. No.

Mr. LATTA. Now, if we went into this global quota system, is there any assurance to the American people that some of the sugar would not come from Red China?

Secretary FREEMAN. We believe that this matter could be adequately handled so that would not be the case.

Mr. LATTA. What is the thinking of the Department or the position of the Department on this? Should we import sugar from Red China?

Secretary FREEMAN. No. It is quite clear we have not and there has been no change of thinking in the Department in connection with that.

Mr. LATTA. Thank you very much.

The CHAIRMAN. Mr. Jennings.

Mr. JENNINGS. Why is the Sugar Act necessary, Mr. Secretary?

Secretary FREEMAN. The Sugar Act is necessary to bring about a balance between supply and demand so that the producers and the consumers can both benefit.

Mr. JENNINGS. During the time the Sugar Act has been in effect has there been any shortage of sugar?

Secretary FREEMAN. We have had during emergency periods some sugar scares, like during the war, but it has never been serious because we have had a source of abundant supply, mainly Cuba, which reacted quickly and provided the necessary supplies to prevent a tight situation getting out of hand.

Mr. JENNINGS. During the time the Sugar Act has been in effect, has there ever been a time that the world price of sugar has been lower than the U.S. price of sugar?

Secretary FREEMAN. It almost always has been lower.

Mr. JENNINGS. The world price?

Secretary FREEMAN. Has been lower than our price; yes, sir.

Mr. JENNINGS. In providing for the new areas has any idea been given to experimental areas?

Secretary FREEMAN. No, sir.

Mr. JENNINGS. Well, do you think that some new areas that have not been growing sugarbeets or even sugarcane but which might be adapted to that particular commodity—could you give that some consideration?

Secretary FREEMAN. I think that might be a very valid and important consideration.

Mr. JENNINGS. We have heard a great deal not only in this bill but another bill that—although only one man approached it this morning, I believe Mr. Findley, when he was talking about the unusual powers that have been given to the Secretary of Agriculture in this bill and the regimentation of domestic sugarbeet producers—do you see anything in this bill that is different from the other recommendations which you have made in managing the abundance?

Secretary FREEMAN. I would say that the amount of control, if you wish to use that word, that is involved in the Sugar Act is very substantially greater than the legislation pending before the Congress in the General Farm Act.

Mr. JENNINGS. Let me ask you this, Mr. Secretary. We have heard a great deal about giving this to domestic producers, and if we were to finance the sugar program through some other vehicle other than the duty imposed on imports, say, if we should finance it through the CCC, how much do you thing it would cost in direct appropriations to maintain the price so that the domestic sugar producers

could produce in competition with the world market price or so we could buy sugar at world prices?

Secretary FREEMAN. Well, at the moment—let us say the world price—and I have not looked at the papers today—suppose it is 2½ cents, the domestic price is about 6, 6 or 6½, so there is a 3- or 4-cent differential, and applied to 9,700,000 tons, there you get your figure.

Mr. JENNINGS. Well then, in effect what we are doing, we are imposing import duties on sugar grown outside the United States for the purpose or at least one purpose, to support the domestic producers so that they might share the U.S. market for sugar?

Secretary FREEMAN. This is correct except, Congressman, it is not the fee or the tariff that provides most of the financing, it comes from a processing tax which provides the financing.

Mr. JENNINGS. Well, that is the effect?

Secretary FREEMAN. The effect is the same.

Mr. JENNINGS. The effect is the same, exactly.

Secretary FREEMAN. Correct.

Mr. JENNINGS. And now, if we were to reduce that processing tax, that duty, and give the freedom to the American producer we hear so much about, couldn't they produce all the sugar that they want and could they produce the sugar that is needed in the United States?

Secretary FREEMAN. Yes, sir.

Mr. JENNINGS. Well, why are we using this approach when so many people are opposed to these controls and managed abundance and so forth?

Secretary FREEMAN. Well, I can only say to the Congressman that this is a program of supply and management with very good working relationships between the producers, the processors, the Government, and the consumers, and which has worked to the benefit of all concerned over the years and it has proven itself to be highly satisfactory and it is an example, I think, of successful supply management and hopefully from it experiences will carry over to other commodities which need to also enjoy supply management.

Mr. JENNINGS. But if they are opposed to supply management, then they would be opposed to this because this is supply management, pure and simple, is it not?

Secretary FREEMAN. This is supply management, pure and simple, with a lot more than there is in the program before the Congress right now, that is correct.

Mr. JENNINGS. That is all, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Secretary.

I will say that I regret to strike the gong on other questions and we will have to rearrange the program for this afternoon. We will meet again at 2 o'clock.

(Whereupon, at 12 noon, the committee recessed, to reconvene at 2 p.m., on the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will please be in order.

Mr. Creed, I am sorry that we have been delayed again. I am sure that some of the members who are not present now will come in before

you conclude your statement. And I am, also, certain that they will consider your prepared statement.

STATEMENT OF JOSEPH M. CREED, ON BEHALF OF THE INDUSTRIAL SUGAR USERS GROUP

Mr. CREED. Thank you, Mr. Chairman. That is perfectly all right. Before I begin my testimony, may I ask that Mr. Thomas Baker, executive vice president of the American Bottlers of Carbonated Beverages, who has a supplementary statement, follow me in the presentation of the testimony?

The CHAIRMAN. Very well.

Mr. CREED. Mr. Chairman and members of the committee, my name is Joseph M. Creed. I am counsel for the American Bakers Association and the Biscuit and Cracker Manufacturers' Association, both of which organizations are members of the Industrial Sugar Users Group, whose views I am presenting here today.

The industrial users subscribing to this statement are: American Bakers Association; American Bottlers of Carbonated Beverages; Associated Retail Bakers of America; Association of Cocoa and Chocolate Manufacturers of the United States; Biscuit and Cracker Manufacturers' Association; Flavoring Extract Manufacturers Association of the United States; International Association of Ice Cream Manufacturers; National Bakers' Suppliers Association; National Manufacturers of Beverage Flavors; and National Preservers' Association, Inc.

I would like to say as spokesman for this group of users and consumers of some 70 percent of sugar in the United States that yesterday when Mr. Kemp testified he expressed the opinion that he was speaking on behalf of the great body of American users and consumers. We would like to point out to this committee, however, that the proposal subsequently advanced by him in great measure contradicted his indicated concern. And I hope that our statement today will demonstrate where the interests of the consumers truly are.

I direct my testimony principally to H.R. 11725, introduced by Mr. Abernethy, which would amend and extend the Sugar Act of 1948, and which we support.

The purpose of this bill, among other things, is to provide an equitable realinement of the sources of sugar on which industrial sugar users and other consumers in this country must depend. Inasmuch as this country is a deficit producer in sugar, we must necessarily import a substantial percentage of all the sugar we use and, historically, we have always done that.

During the years that the supply and distribution of our sugar has been under legislative control, particularly since 1934 and culminating in the Sugar Act of 1948, it has always been the design and purpose of Congress and the various administrations, whether Democratic or Republican, to maintain a domestic sugar industry, but recognizing that it is a high-cost, heavily subsidized producer, to contain it at a level which would provide a fair return for those engaged in it; and at the same time, not impose an unfair burden on the consumer and taxpayer who must support it. Indeed, the preamble to the act gives coequal status to the welfare of the consumer and those engaged in the domestic sugar-producing industry.

For this reason, the original 1948 Sugar Act established generous numerical quotas for all of the domestic areas, and at the same time established criteria to be followed by the Secretary in setting quotas to enable him to carry out the will of Congress in providing sugar at fair and reasonable prices to consumers.

The 55–45 division should be retained. At the time of the extension of the act by the amendments of 1956, because of the rapid expansion of population of our country in the intervening years, and technological advances in the domestic sugar-producing industry, the high-fixed quota so avidly sought in 1948 resulted in a smaller percentage of total requirements to be supplied by it than the domestic industry believed itself entitled to. Thereupon, in 1956, they sought to receive 55 percent of all future growth of sugar requirements in the United States above a basic quota of 8,350,000 short tons. As was so cogently pointed out by the vice chairman of the committee, Mr. Poage, during the 1956 hearings, the domestic producers in 1948 thought that "they were getting a good trade by trading off their 55–45 formula and getting a fixed formula, which they did not think they could reach."

As he correctly observed, when they found they had made a bad trade, they came back to Congress demanding a change in the formula more to their advantage.

They were successful in achieving this in the 1956 amendments, and it remained the division up until the defection of Cuba from among the friendly nations of this hemisphere. Today the domestic producers are back pressing their advantage, brought about by the fall of Cuba, for a higher take. Their objective is a great expansion of acreage to give them the giant's share of the market, with the highest subsidy per acre which Congress provides for any agricultural commodity. This, of course, means higher prices to consumers and more tax payments to finance the subsidies.

According to the USDA Sugar Situation, March 1962, sugarbeet production in 1961 was estimated at 17,966,000 tons, a record high, 9 percent larger than 1960. Cane production in 1961 on the mainland was estimated in December at 8,649,000 tons, also a record high, 21 percent above the 1960 crop. Hawaii produced 9,581,000 tons, up to 11 percent over the previous year, and Puerto Rico produced 10,754,000 tons, an increase of 11 percent. This record production in all areas will cost consumers and taxpayers in the United States record subsidy payments of about $76 million; $43 million for the beet areas and $33 million for the sugarcane areas based on the average payments per ton which were paid on the 1960 crops.

The amazing specter of a crop heavily subsidized and expanding rapidly has not been lost on any area which is geographically or climatically suited to the production of beets and cane. As a result, therefore, great clamor has arisen to participate in this bonanza of subsidized expansion.

Hence, proposals have been made to the administration and the Congress to write permanently into sugar legislation a tremendously large share of the windfall sugar which, until its elimination as a source of sugar, Cuba supplied, and the windfall reallocations from Puerto Rico and Hawaii under the 1956 amendments. Advance publicity of the administration's bill is convincing evidence that the do-

mestic growers have been able to secure from the administration an agreement most beneficial to their interests. That the administration's concessions will cost consumers heavily in added sugar costs in the years ahead is apparently of little moment, unless Congress itself recognizes the inequity of this bill, and enacts legislation which would, in the words of President Franklin D. Roosevelt, in his sugar legislation message to Congress February 8, 1934, "provide against further expansion of this necessarily expensive industry."

As representatives of sugar users, the customers of the sugar industry, and the consumers of the product, we believe it will be more equitable in the interests of the relatively voiceless consumer, if such limitations embodied in the philosophy of the Sugar Act be retained.

We are sure this committee is aware that as the beet industry expands production beyond what can be consumed in its normal marketing area, it must move that excess production to areas which are more economically served by cane sugar suppliers. This is particularly true of the eastern seaboard area which has always depended on offshore cane sugars for its requirements. With the reduction in the quantity of offshore sugar proposed in the administration bill, the competition among refiners to obtain their proportionate share of what is available will intensify. At the same time population increases in their marketing area effect higher demand. There can be only one result—higher prices for raw sugars in the New York markets.

Inasmuch as raw sugar prices established in New York are used as a basis for prices for the rest of the country, any curtailment or reduction of offshore sugars will automatically establish a higher level for sugar prices everywhere. Additionally, the cost of transporting beet sugar increases sharply once it moves out of its normal area. All of which raises the question as to why an artificial high-priced market should be established for beet sugar when offshore suppliers are in an excellent position to fill those needs as they have always done, under conditions which will make prices bear some relationship to supply. As a secondary consideration, this in itself is an excellent foreign aid program through regularly established commercial channels, much to be preferred over Government handouts.

Congress in its last overall revision of the law, at the behest of the domestic industry, set their fair share at 55 percent of all growth, and there, we believe, it should remain. Thus, H.R. 11725, which we support here today provides a basic numerical quota for domestic growers of 4,910,000 short tons, raw value, with 55 percent of all requirements over 9,600,000 short tons, raw value, to be supplied by the domestic growers. This unquestionably would continue the objectives of adequate protection of those engaged in the domestic sugar-producing industry.

H.R. 11725 increases the basic numerical quota of the domestic industry from the present 4,444,000 to 4,910,000 short tons, raw value, an increase of slightly over 10 percent. Additionally, since the domestic growers would be entitled to 55 percent of all of the quota in excess of 9,600,000 short tons; and since it is reasonable to assume that the quota for 1963 will be at least 10 million tons, there will be a further increase for the domestic industry of 220,000 tons next year, which in effect provides them with a minimum increase of 15 percent above the basic quota in the 1956 act. Additionally, they will continue to participate

in the growth of demand at the rate of 55,000 tons for every additional 100,000 tons in demand. This assures them an additional 100,000 to 150,000 tons each year—all of which we must remember will be heavily subsidized. This annual increment could be partially reserved for new growers.

A quota this large is more than ample to take care of all reasonable productive capacity for the foreseeable future. The best share of a 10 million ton quota under our proposal would amount to approximately 2,250,000 short tons. The domestic cane, other than Puerto Rico and Hawaii, would receive approximately 900,000 tons. These are substantial increases in quantity over what was provided in the 1956 act, and enables the domestic industry to continue to grow in the years ahead.

It might also be pointed out that when the generous provisions for the domestic industry were established in the amendments of 1956, certain basic assumptions were made as to requirements for the years through 1962.

Year	Assumed requirements	Quota	Distribution
1956	8,535,000	9,000,000	8,904,000
1957	8,670,000	8,975,000	8,734,000
1958	8,805,000	9,200,000	9,030,000
1959	8,940,000	9,400,000	9,181,000
1960	9,075,000	10,400,000	9,261,000
1961	9,210,000	10,000,000	9,612,000
1962	9,345,000	9,700,000	----------

These requirements appear in the table. I will just point out the 1961 figure which in 1955 was assumed to reach 9,210,000 in 1961, whereas, actually the actual distribution of that year amounted to 9,612,000 tons, an increase of slightly over 400,000 tons beyond the estimate of 1955.

Actual growth was greatly in excess of the assumptions. Thus, it can be seen that even at the 55–45 level, the provisions of the Sugar Act have been extremely generous to the domestic growers and processors, considering they had anticipated much smaller quantities for the years through 1962.

One of the problems which has constantly confronted industrial sugar users since enactment of the Sugar Act of 1948 has been the matter of obtaining an adequate initial quota to provide for consumers' requirements, as determined by the Secretary of Agriculture pursuant to the provisions of section 201.

In the Sugar Act of 1937, it was provided that there should always be a quantity of sugar available to consumers equivalent to the per capita consumption times the population. No such provision was included in the Sugar Act of 1948, whether by inadvertence or otherwise. Consequently, we have seen the situation in recent years, of the Secretary announcing a determination of requirements at a given level, but deliberately setting the quota below that level to raise prices to consumers. As consumers and users of sugar, we have felt that such a device was an extralegal extension of the powers conferred by Congress and contrary to its intent.

We always have read section 201 as requiring the Secretary to make a quota determination to the best of his ability, following the criteria set forth in that section; and having made such a determination, to establish a quota consistent with it. It has not, however, always worked this way.

Even this year, with sources of supply relatively uncertain, it was determined that the requirements for the continental United States would be 9,700,000 short tons, raw value, but the quota was initially set at 9,500,000 tons, for the stated purpose of raising prices. Thus, consumers were short-changed with respect to the quantity of sugar made available for their requirements. It was only within the last month, on April 13, that the quota was increased to the 9,700,000 tons determination, when the supply situation in the northeast became extremely perilous.

Additionally, over the past several years, it has been obvious that neither Puerto Rico nor Hawaii would fulfill their assigned quotas. Although the prospective deficits of these areas were generally realized at the beginning of each calendar year, even though the total deficits could not be determined with exactitude until later in the year, the Department has been slow to make the necessary reallocations of quotas to compensate for these deficits. To the extent that such reallocations have been delayed, it has resulted in a further diminution of the quota for consumers with upward pressure on prices.

H.R. 11725 adds a proviso to section 201 which would require that the initial quota establised by the Secretary in any calendar year shall not be less than the amount required after allowance for normal carryover, to give the consumers for the continental United States a per capita consumption equal to the average of the 2-year period 1957–58. The per capita consumption on a raw value basis in 1957 was 102.04 pounds; in 1958, 103.76, with an average for the 2 years of 102.90.

Since the per capita consumption of sugar is relatively inelastic, the use of this recent base period would provide a minimum basic quantity of sugar to consumers. More importantly it would serve to demonstrate that Congress is just as concerned with the welfare of consumers as it is with sugar producers.

The administration bill would amend section 201 of the act to delete the present cost-of-living pricing criterion and substitute for it the following language:

> * * * the relationship between the price for raw sugar that he—the Secretary—estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the 3-year period 1957, 1958, and 1959, and the average of the parity indexes during such 3 years.

This new formula may reasonably be expected to set a higher price objective for the Secretary to aim at in arriving at his consumption estimates. It should be obvious that a higher price objective, together with greatly expanded subsidized production, is going to cost the consumers and taxpayers dearly in the years ahead. We believe this proposed change should be rejected.

Recognizing that Cuba's participation in our sugar quotas may never again be what it was prior to the emergence of Castro, it is

our recommendation that all but 2 million short tons of the sugar to be secured from foreign sources, amounting to approximately 1,560,000 tons be divided on a proportionate basis among specified Western Hemisphere countries. We would reserve for Cuba, to hold out hope to her beleaguered subjects, 2 million short tons, raw value, to be available at such time as she returns to the community of friendly nations in this hemisphere. In the meantime, the President would be authorized as he now is, to withhold that sugar and reapportion it among the countries which are able to supply us, with primary emphasis on the countries which would be given basic quotas under section 202(c) of the Sugar Act as amended by H.R. 11725.

At this point, I would like to comment on the Administration's proposal that the Act should be so amended as to eliminate assigned quotas to foreign countries and in place of such a procedure, to allow all countries which could supply us with sugar to make their supplies available apparently on a first-come, first-serve basis—the so-called "global quota" concept.

This was advanced again this morning by the Secretary of Agriculture.

As the Industrial Sugar Users Group has always made clear and evident, our policy objective is to assure adequate supplies of sugar at reasonable prices, under all conditions, to consumers in this country. At first blush, it may seem that the administration's proposal is an excellent way of attracting sugar from all exporting countries to our shores. In our considered judgment, however, the time for using that approach disappeared with the defense of Cuba as a source of our supplies. When Cuba was available, with its limitless quantities of sugar to supply our population, the efforts of the Government were all in the opposite direction: To exclude and limit foreign sugar that would be available under a global quota system, although undoubtedly such an approach then could have provided sugar to consumers at prices well below those which actually prevailed.

Today, however, when this vast reservoir of Cuba is no longer available to us, the Government comes forward with such an approach—the global quota—apparently on the theory that all sugar-producing countries at all times and under all conditions would want to supply this market.

The industrial sugar users firmly believe that such an approach in today's world could result in a disastrous elimination or curtailment of important sources of sugar for the United States. We firmly believe that the best approach today is to continue the policy of assigned quotas on a broadened base to specified countries with known sugar capacity, and a desire and willingness to provide this market with its requirements on a permanent and lasting basis. We have, therefore, proposed that the countries of the Western Hemisphere—and only Western Hemisphere countries, except for the Philippines which is covered by a treaty—be given assigned quotas on such basis as to the committee may seem a sound and equitable division.

Section 202(c) of the Sugar Act as amended by H.R. 11725 would establish specific quotas for the various Western Hemisphere countries which we think bear a sound relation to their capacity, willingness and recent history of sugar exports to the United States.

Although we have suggested specific percentages for the Western Hemisphere countries, we must, in the final analysis, leave the breakdown to the wisdom of the committee and the Congress.

An additional provision in H.R. 11725 which should be helpful to the smaller Latin American countries, would authorize any Western Hemisphere country to supply the United States up to 10,000 short tons, raw value, each year in raws or direct consumption sugar, at their option.

We propose that the treaty quota of the Philippines be increased by 15 percent, which would provide that country with a quota of 1,127,000 short tons, raw value. We believe it is an increase which can be justified on many grounds, not the least of which is the long history of friendship and support of United States policies. Additionally, the Philippines has consistently demonstrated a willingness and capacity to supply our requirements. Congress explicitly recognized the closeness of ties between the two countries by assigning precedence to the Philippines in the present extension of the Sugar Act, in apportioning it 15 percent of the over-quota sugar. This precedent should be followed in an increase of the Philippine Treaty quota.

With that one exception, all other foreign sugar in the basic quotas would be assigned to Western Hemisphere countries to assure, as best the Congress can do, an adequate supply of sugar under all conditions, at reasonable prices, to consumers in the United States.

H.R. 11725 would revise section 204 relating to proration of deficits. It is commonly agreed that the amendments of 1956 introduced, although unintentionally, a severe dislocation of sugar supplies in the Northeast—the heaviest sugar-consuming area of the country—by authorizing the domestic areas to receive deficits of Puerto Rico and Hawaii. Prior to 1956, such deficits would have gone to Cuba, which supplied the northeastern territory. Once these deficits were made available to the beet area, an automatic shortage and upward pressure on prices were created for the large consuming area of the northeast which depended on cane sugar from offshore sources. To avoid this situation in the future, we propose that all deficits be apportioned among the foreign countries having quotas under section 202(c), except that Hawaiian deficits in excess of 350,000 short tons, raw value, would go to the domestic beet area.

Turning now to the conditional payments provided for in the act, we suggest that there be a slight reduction in the payments from those presently allowed under existing law. We believe that some reduction is not only justified, but imperative, to protect the consumer.

As pointed out in the May 1962 issue of "Marketing and Transportation Situation," of the Department of Agriculture, there has been a reduction in the man-hours of fieldwork required per ton of sugar from 1948 to 1960, ranging from a high of 63 percent in the production of Florida cane to 44 percent for beet sugar. In the same period, the number of beet acres harvested have increased from 694,000 to 1,088,000 in 1961. Similarly, the acreage harvested for cane sugar increased from 307,000 acres in 1948 to 331,000 acres in 1961. This points up the great strides in mechanization and improved technology resulting in improved yields per acre, so that the yield in the beets has increased from 13.6 tons per acre in 1948 to as high as 18.8 tons in 1959, and a slight drop to 16.5 tons in 1961. The yield per acre in Louisiana went

from 17.4 tons in 1947–49 to 24.5 tons in 1961; Florida from 28.7 tons to 34.2 tons in that period.

In spite of this substantial increase in yields and acres harvested, with approximately 100,000 fewer employees, the subsidies or conditional payments have been frozen into the act at the same level since 1948. As a result, the average payment per farm has shown a continual rise over these years. For example, in 1958, the average payment per farm in the beet area was $1,430, ranging from a high of $3,415 per farm in California to a low of $493 per farm in Wisconsin. This increased in 1960—the latest year for which figures appear to be available—to an average of $1,659 a farm, ranging from $4,200 in California to $436 in Wisconsin.

In the case of the mainland cane area, the average payment per farm in Louisiana was $1,812 in 1957 and $2,672 in 1960. Florida in the same period of time paid $50,052 to individual farms in 1957–58, and $97,342 to each farm in 1960–61.

In 1960 total payments of $72 million were made to sugar growers, up from $66 million in 1953. In 1953 total payments were $66 million. In 1953 the beet area, the recipient of the lion's share of the subsidy payments, received $30,310,000; in 1960 it received $40,377,000; an increase in payments of 33⅓ percent; this year we estimate it will receive $43 million. These are fabulous figures of which the consuming public has no awareness. Yet, in spite of this tremendous subsidy, the administration comes forward to propose a tremendous expansion with more subsidies of this expensive industry. At this rate we can confidently look forward to subsidies approaching $100 million by the time Congress gets around to consideration of the act again. When, if ever, will these subsidies end? If the domestic industry wishes to expand, it should do so without Government subsidies, which the consumers pay in higher sugar prices.

In 1960 out of more than $40 million in subsidies to the beet area, fewer than 20 percent of the 39,000 payees received 80 percent or $32 million. Hawaiian payments averaged $12,892 per farm, with more than $8 million going to fewer than 30 payees. In Florida, 14 payees received $1,363,000, or an average of $97,000 per farm. This is big business, gentlemen. And yet, it is proposed that these producers be permitted and encouraged to expand with the same rate of subsidy.

There is no need for this continued domestic expansion of high-cost sugar. Sugar is a natural low-cost crop for many countries which can easily supply us with our requirements. Furthermore, it is an excellent and practical way to provide self-help to many nations whose people we desire to help—particularly in Central and and South America. Now is the time to call a halt to perpetuation of this unending expansion of the domestic subsidized sugar industry, and avail ourselves of supplies from these countries.

Under present law, conditional payments are made to growers ranging from 80 cents per hundredweight for the smallest farms to 30 cents per hundreweight for farms with production of 30,000 hundredweight or over. H.R. 11725 would reduce the payments to a maximum of 70 cents for the smallest category and 20 cents for the largest, with proportionate reductions for farms in between as set forth in the following table:

Reduction in the base rate of payment per hundredweight of such portion

	Present	Proposed change
350 to 700	$0.05	$0.10
700 to 1,000	.10	.15
1,000 to 1,500	.20	.25
1,500 to 3,000	.25	.30
3,000 to 6,000	.275	.35
6,000 to 12,000	.30	.40
12,000 to 30,000	.325	.45
More than 30,000	.50	.60

This, indeed, is a modest reduction in the present payments which are being made in the domestic industry.

Mr. Chairman, the Industrial Sugar Users collectively consume approximately 7 million tons, or roughly 70 percent of all the sugar used in the United States. The consumers' annual sugar bill is about $1¾ billion. To demonstrate graphically the importance to the consumer of seemingly inconsequential price fluctuations, an increase of one-hundredth of a cent per pound of sugar over a year costs the American consumer an additional $2 million.

Obviously, therefore, we have a great stake in whatever legislation this Committee recommends and the Congress passes. We have in years gone by attempted to bring this forcefully to the attention of the Congress. Because of the unsettled world conditions in the past several years, it has been difficult to rewrite long-term legislation in sugar which would preserve the equities of all interested groups, including the consumer for whom Congress has established an objective of adequate supplies at reasonable prices.

Congress once again is pushing toward a deadline of June 30, 1962—but a few short weeks away. This committee has before it various bills, including ours, H.R. 11725, and the administration's, H.R. 11730, none of which it has had an opportunity to study in depth.

At all costs it should avoid writing into this important legislation inequities against consumers. Once the Congress puts proposals into the law, it is next to impossible to excise them. In this category we put the proposals to expand the heavily subsidized high-cost domestic production at great expense to consumers. We have heard many protestations from the administration that the consumer must be protected from rising costs and creeping inflation. This legislation is an excellent place to translate words into action which can truly benefit the consumer.

With this in mind, we respectfully suggest to the committee that a temporary 6-month extension of the present law be enacted, and that the committee then proceed to a detailed analysis and study of all the proposals advanced to it as to how the sugar problem should best be treated. It is more probable that equity will be done under such a procedure.

It is appropriate, I think, to point out to this committee that all of the industrial sugar users who would be affected by this sugar legislation constitute the best customers which the farmer has. It is doubtful that any domestic crop can be named of which one or the other of our industries is not the largest user. We have a great comity of interest with the farmer. We are aware of his problems, his difficulties, his

expectations; our recommendations are made not to impair his position one iota, but to try to establish equitable and sound economics in this extremely complex field of sugar production, distribution, and use.

We ask this committee, Mr. Chairman, to consider the interests of the consumer who must have an adequate supply of sugar at all times and should be able to obtain those supplies at reasonable prices, and would be able to, if a sound and equitable bill is recommended by this committee. In that connection, a few observations might be pertinent on the administration's proposals to recapture the premiums paid to foreign sugar producers who sell to the United States, representing roughly the difference between the price level prevailing in this country and world market prices—approximately 2 to 3 cents per pound. If foreign sources furnish us with some 4 million tons, the premium involved would be $80 to $120 million. And until announced at the beginning of the hearing yesterday under H.R. 11730 it would be appropriated from time to time for use in furnishing assistance to countries and areas in accordance with the provisions of the Foreign Assistance Act of 1961, as amended. Although the administration has indicated that it is not going to use the money specifically for this purpose, at least, through this bill nonetheless the fact remains that the money would be taken from the consumers for such use as the Government may ultimately decide, in other words, this administration proposal would in effect impose a special tax on users of sugar.

I will skip over the remaining portions of my statement which has reference to the fact that it would not be used in a special fund. We object to that, because we felt that it was an insidious form of back-door financing without any accountability to Congress, and we felt that if the administration were to utilize these funds to reduce the sugar prices to the consumers, then the recapture concept would have validity and we as consumers would have welcomed such a step as being constructive, but we strenuously object to the special tax on sugar users for the foreign aid program or for any other purpose which the Government may have in mind.

We believe that H.R. 11725, introduced by Mr. Abernethy, is a bill which, if found acceptable by this committee, will in our opinion provide a sound, balanced program which will do equity for domestic producers, foreign suppliers, and consumers. We believe it merits the earnest consideration of this committee, and we hope our comments will be helpful in your deliberations.

The CHAIRMAN. Thank you very much, Mr. Creed. Have we not always had an adequate supply of sugar?

Mr. CREED. We have had sugar available to us, generally speaking, Mr. Chairman, without interruption. There have been distortions in some market areas because of the operations of the program. We have had it supported, subsidized at prices which would not have been as high as we would believe had been justified by the available world supply of sugar available to this country.

The CHAIRMAN. If we had no sugar program at all, where would we be?

Mr. CREED. If we had no sugar program, I think we could, also, have a serious problem. We do not advocate the abandonment of an entire sugar program, because we believe that there should be a domestic sugar industry. We need a domestic sugar industry. We

want to see it prosper, but what we object to is this continuous expansion so that, eventually, it is going to take over as it is doing, or would do under H.R. 11730, more and more of the supplies in this country. And it is bound to cost the consumers more by every bit of expansion.

The CHAIRMAN. With the expansion, with the cost that is contemplated, would not your industry be better off with a program than without a program? If we start with the recapture premium, we recapture part of the payments, but you propose to reduce them.

Mr. CREED. Whether our industry would be better off without a program is hard to say, since I do not recall the time when we did not have a program. But the recapture of these premiums, which are paid, if they are going into the Treasury, we have to pay that money in higher prices that the Treasury takes, and it costs us as consumers, more to make that money available to the Treasury, regardless of what the Treasury may do with it.

The CHAIRMAN. It seems to me that it costs the same, does it not?

Mr. CREED. I am sorry, I do not understand that question.

The CHAIRMAN. You say that the Government recaptures it and puts it in the Treasury. The Government does that anyway, does it not—is that not so?

Mr. CREED. In 1956, Mr. Chairman, we pointed out that the premium payment that was going to the foreign suppliers was being subsidized by the domestic consumers, and we suggested then that some steps be taken to bring back some of that premium for the benefit of the consumers, but under this program——

The CHAIRMAN. But the $400 million we have now in the Treasury is a net gain over and above the payments which came out of that?

Mr. CREED. Yes.

The CHAIRMAN. I do not think that there is any question about that—I think you are right that it came out of the consumers. But it has been a fairly stabilized market.

Mr. CREED. That is pretty high premium for the consumer to be paying year in and year out for what has been alleged all of the time as a stable market. It may have been just as stable without it, but the consumer has never had a chance to find out. As the Secretary said, this is a supply-management program, but we are a deficit-producing country. There are available to us sources of supply that can produce the sugar cheaper and the consumer should get the benefit of that.

The CHAIRMAN. We are a deficit-producing country and that was one of the main reasons for having the sugar program in the beginning, was it not?

Mr. CREED. I think partly that might have been it, but, also, because Congress wanted to foster a domestic industry within specified limits. And that has been the underlying philosophy of the Sugar Act.

The CHAIRMAN. You do not think that we should go above the 55–45 formula?

Mr. CREED. That is correct, sir.

The CHAIRMAN. That was the recommendation when President Roosevelt signed this bill?

Mr. CREED. That was his recommendation at that time. But on the percentage basis, sir, the industry is bound to grow year after year as the population increases. It is the percentage applied against the growing demand. So the industry, going back to the 1948 act, the industry, that is, the domestic industry, was in the position of having a fixed numerical quota beyond which they could not move, and it was not until 1956 that they received the 55–45 division which automatically gives them an annual increase and will continue to do so in the future under our bill. And we estimate it would, probably, run about 100,000 to 150,000 tons a year which is not only ample for the existing capacity, but, also, makes provision for the new grower that some of the Congressmen are interested in.

The CHAIRMAN. The fact that we had unfortunate deficit-production situations in Puerto Rico and, also, in Hawaii, resulted in the American mainland producers expanding their acreage to meet these deficits. To do what you are proposing to do we would have to cut back that acreage. That is what we would have to do, is it not?

Mr. CREED. I presume that would be so.

The CHAIRMAN. Are there any further questions?

Mr. SHORT. Mr. Creed, as I followed your presentation you make quite an issue of this 45–55 formula. I am not sure that you quite clarified it in my mind, at least, as to what your suggestion is.

Are you suggesting that we should buy the Nation's needs at world prices?

Mr. CREED. No, sir.

Mr. SHORT. What difference then does it make what the formula is when that which you secure from foreign sources is no cheaper than the sugar that is secured from the domestic sources?

Mr. CREED. Except this, Mr. Short, when the beet sugar is produced in areas known as the beet States they have a normal marketing area that economic limitations dictate to the extent that they are given a larger quota and have to ship that sugar into areas that are the normal marketing territory of offshore sugars, to that extent they are pushing that sugar out of the market, decreasing the competition in that market. And because of the distances involved for the production and the processing areas to that marketing area, the costs of the sugar go up at the end of the line to the consumer and sets a higher level.

Mr. SHORT. I do not see that what you are suggesting there is necessarily going to develop with the increase in population within the beet area which will increase in about the same proportion as in the rest of the area in the way of per capita consumption of sugar.

Mr. CREED. Generally speaking, I think it is, sir, but that is where we think the domestic industry should have its expansion in those normal marketing areas which it can serve and is serving.

Mr. SHORT. It seems to me that that is about all that is happening with the modest, I will say rather modest, increase. Some people seem to put a different interpretation on it. I think it is still a modest increase that is being suggested, not in Mr. Abernethy's bill, but in the administration's bill, and that this increase is not in excess of the population increase in the areas that are presently served by the beet and cane industry.

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Mr. CREED. I think it is more than a modest increase, Mr. Short. It is a rather high-percentage increase over what is available to them under their present division.

Mr. SHORT. We are dealing here, after all, in something a little bit more than just our increase in domestic consumption. We are dealing here, also, with the question as to what we are going to do, as to where we are going to secure the sugar formerly supplied by Cuba.

Mr. CREED. We are suggesting the areas from which that sugar could come. It is not necessary to get it from our domestic sources to the extent that the administration's program would provide. There is plenty sugar available in the country for that normally supplied us, except for Cuba, but other South American countries could take up that slack very comfortably.

Mr. SHORT. The domestic industry has supplied, so far, no part of the sugar formerly supplied by Cuba, has it?

Mr. CREED. No, but they received under the 1956 amendment all of the deficit which occurred in Puerto Rico and Hawaii.

Mr. SHORT. But that has nothing to do with the Cuban situation, does it?

Mr. CREED. Because of their supplying that; they want that now written into the law as part of their permanent quota. The Cuban supply would not be touched—that is conceded—but they want to keep this windfall sugar as a permanent part of their basic quota in exchange for an agreement not to take any of the Cuban sugar.

Mr. SHORT. You have used this "windfall" terminology a couple of times. I fail to see where there is any windfall to the domestic producers, since the cancellation of the Cuban quota. You might say that is was a windfall to some foreign producers. Was it not?

Mr. CREED. It was a windfall to both, actually, because the windfall to the domestic producers came before Cuba went out of the picture, in that the mainland cane, to a lesser extent, received the deficit from Puerto Rico and Hawaii.

At the time of the 1956 amendment, when the change was made from Cuban to domestic areas, neither Puerto Rico nor Hawaii had a deficit. The provision was put in there in case either mainland cane or beet had a deficit that the other would get it. It so happened that following the enactment of the 1956 amendment that both Hawaii and Puerto Rico had substantial deficits and have continued to have them each year and as a result that sugar which ordinarily would have gone to Cuba to supply to the northeast area went to the beet and mainland cane, principally to the beet. As a result the beet area was called upon for sugar up to the northeast section of the country which they could not economically supply and it caused pressure on supplies and prices there, but that is where the windfall came for those areas. It was completely unexpected as a result of the 1956 amendment.

Mr. SHORT. Could this not happen in reverse sometime that we might have a deficit?

Mr. CREED. Certainly, in fact, for many years the domestic areas did not reach their assigned quotas.

Mr. SHORT. Would you object to the application of this formula in the event that that happened?

Mr. CREED. If it were in reverse?

Mr. SHORT. That is, if it were in reverse?

Mr. CREED. If the domestic area could not supply us then we would have to turn to foreign sources to make up the deficit.

Mr. SHORT. That is exactly it. You do not object to that, but you do object to the domestic area having the benefit of the deficit?

Mr. CREED. Hawaii and Puerto Rico could produce their sugarcane. All Puerto Rican sugar moves to the eastern seaboard. If that sugar is replaced by beet sugar.

Mr. SHORT. It is not a very small part of it, is it?

Mr. CREED. But the deficit that Puerto Rico had was given to the beet area, so under the quota system they were given the quota for the northeast area in effect. And because there was no other sugar under the quota system available it put an upward pressure on the prices in the northeast area and even made supplies relatively short there.

Mr. SHORT. I can understand whose ox is being gored there, because there is plenty of cane sugar that is marketed in the areas that are, certainly, within the limitations of the marketing area of beet sugar.

Mr. CREED. Do not forget that under the act only such amounts are permitted to come into the country as the Secretary determines can come in, and when you move out of the statutory permissible amount then you get into an area where the Secretary has to search around to let it in from areas that originally were not contemplated.

Mr. SHORT. I do not want to pursue this further. I shall get to something else.

In talking about the incentive payments made to the domestic producers you made a statement that this was a big business in the United States. Is not foreign sugar production really big business for some of these foreign countries?

Mr. CREED. I think that in some of them that it is a very important part of their economy; that is, this market is. I am not going to make any brief for the foreign interests, one way or the other. They can defend themselves. Our interest in them as a source of supply is to make sure that we as consumers can get all we require at fair and reasonable prices. Whether it is big business or not in a given country is beside the point for us. Their price level or what payments may be made in different countries, I do not know.

Mr. SHORT. We know that there are 39,000 beetgrowers in the United States. This is a pretty broad distribution of the domestic industry. I do not know, but I would like to have somebody enlighten me before the hearings are over as to how many individual farmers are producing sugar in some of these foreign countries.

Mr. CREED. Mr. Short, there are 39,000 beetgrowers, approximately, but, according to the figures of the Department of Agriculture, fewer than 20 percent of them get 80 percent of the $40-odd million that are paid in subsidies. Those are Department of Agriculture figures and not my figures.

Mr. SHORT. The fact still remains that we have 39,000 farmers who are receiving some benefit from producing sugar. I will assure you from my own experience that many of these beet-sugar producers up in the Red River Valley are comparatively small farmers.

Mr. CREED. I would not refute that at all, but the point I am making is that while this amount of subsidy—these millions of dollars—of it, that most of it is not going to that small type of farmer.

Mr. SHORT. These subsidies, if they were removed, how much could the cost of the product produced by the segment of the industry that you represent be reduced?

Mr. CREED. If these subsidies were removed in their entirety—in the first place, the price of sugar would rise to compensate for the loss in subsidy, because part of this, the price to the producer that he receives, is the culmination of market price plus the conditional payments—so, to the extent of that it would rise, but the world sugar, by the same token—or the sugar that comes from countries other than here into this country would not necessarily rise in the same proportion.

To dispose of your question, it is not probable in any of these products that our industry produces that the subsidies if they were removed, would mean that there would be a significant reduction on that alone, because we work in pennies. We use many, many ingredients, except for the bottling industry in which, I believe, some 50 percent of their ingredients are sugar, but for the rest of us we use many, many ingredients, and we carry our costs out for the ingredients to the fourth and fifth decimal point. So, it is not any one particular one that is going to raise or lower our price level. It is the combination of them.

Mr. SHORT. Thank you; that is all.

Mr. MATTHEWS. I would like to ask Mr. Creed one or two questions. Do you think now that the cost of sugar is excessive for the industrial users in America?

Mr. CREED. Mr. Matthews, I think that it is higher than is justified by the available supplies in the world.

Mr. MATTHEWS. Then, as I understand, you are hopeful that some kind of legislation will be passed that will make sugar available to you at lower prices—is that a fair observation?

Mr. CREED. You are asking the same question in another way. We would be hopeful that the legislation as passed would not exert any more upward pressure on prices, and that it could result in a somewhat lower price level.

Mr. MATTHEWS. That brings me to this question: You used the word "consumer," and how this legislation would benefit the consumers. Of course, in your use of the word "consumers" you are referring to the industrial users. Other than the industrial users, if the price of sugar is decreased, how would that help the other consumers? That is an intriguing thought to me. In the American economy when the producer of a commodity's price goes down; that is, when the farmers' price goes down, the people are led to believe then that the price for the end product, what the consumer gets, will go down, too. You just told Mr. Short, as I recall, a minute or two ago that even if you got sugar cheaper it would not mean necessarily that the consumer would get a lower price on the end product, so that if you can get sugar cheaper, how would that help the consumer other than the industrial user?

Mr. CREED. It helps us in this way, Mr. Matthews: As I pointed out to Mr. Short, it is not any one particular ingredient that alters our price. It is the sum total of all of them. And in between the

sugar or the wheat which our industry is the largest user of, and the many other ingredients, there is a long line before it comes to the industrial user. There is transportation; there is packaging and everything else, and when we get that it has to be transformed into the product that we sell—it has to be manufactured into those products, and then distributed to the consumers. There are all of those steps along the line.

So, there cannot be any direct relationship between the price that the farmer receives and what the consumer pays at the end of the line.

Mr. MATTHEWS. Would it not be fair to say, then, that we are just not so sure that to adopt a different kind of program than the one that is generally suggested by the administration would mean any overall benefit to the consumer; in other words, it would look to me like what your problem is that it is a problem of maybe who is going to get the profit from the sugar program, and that maybe the consumer is not going to be aided, eventually, too much by the suggestion you make.

Mr. CREED. That is an argument, Mr. Matthews, that can be advanced with respect to all of the ingredients we used. If we use in a given product 10 ingredients and each one of them costs us a tenth of a cent it can be argued that if you eliminate the cost of one that the price of the product will change, but if you reduce the price of the 10 by a tenth of a cent then you have a substantial figure. That is what we are saying. For example, in our industry, the baking industry, we use about 1,700,000 tons of sugar a year. One-half cent a pound over a year is a difference of $17 million for us and 1 cent is $34 million. Translating that, at what point does the consumer benefit from that one isolated cost? That is something that you cannot pin down with too much definiteness, but our ultimate costs are the composite of all of the things that we buy and include in our manufactured product.

Mr. MATTHEWS. I have no other questions. I know one thing that worries many of us on the Committee on Agriculture is that so often the consumer is led to believe that every time the Government gives the farmer a program, like, let us take peanuts, for example, that if you guarantee him a price support that, actually, it will mean a lot more cost to the consumer. The peanuts in a peanut candy bar cost about one-half of 1 cent. If you gave the peanuts to the manufacturer who manufactures the candy bar, the price would not be any less.

What I am trying to emphasize and dramatize here a little bit is that if you pay the producer of the sugarbeet or the sugarcane less for his product, and if you import more from the foreign countries, you may get a little cheaper sugar, that is, a cheaper sugar price, but I doubt whether that price that is taken out of the American farmer or foreign importer would be passed on to the eventual consumer. I just doubt that. That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you very much, Mr. Creed.

Mrs. MAY. May I ask a question?

The CHAIRMAN. Yes.

Mrs. MAY. I would like to make this comment, Mr. Creed, as to the lowering of the costs; that part of your statement as to the reduction of labor costs in the beet areas, particularly, where you think

there is a reason for lowering the payments. I do not know if you were here yesterday, but I thought that Mr. Kemp said on that point in his statement that was a very good explanation of the conditional payments. As he pointed out, actually, the more our farmers produce, the more the farmers contribute in tax.

Also, I know that we feel in our area—and I am sure it is true in other areas, not only in the beet-sugar industry, but in cane production, that, as long as there is a great increase in efficiency, as you point out in your statement, it has always meant an increase in wages and other farm costs.

In the special study report of the Committee on Sugar, which I am sure you are familiar with, they say:

> The reduction in labor requirements have not necessarily resulted in comparable reductions in the total crop input requirements. To a considerable extent, the reduction in labor used has involved the substitution of substantial amounts of machinery for labor. But the reduction in labor requirements do mean that the sugar crops are much less dependent upon large numbers of hand workers than formerly.

I am, naturally, concerned with the consumer, as are you. I have had many times the opportunity to discuss this with the consumer groups, and to explain to them just how the Sugar Act works. You term this a windfall for this beetgrower area of the industry. I might say that I have yet to find a consumer group that understands how the Sugar Act works, why it is an important part of our agricultural economy, who objects. They feel that when America is helping many foreign countries through security programs, it is not at all unnatural or unfair that we should be involved in a program that is for the protection of American farmers.

Thank you.

Mr. CREED. May I comment, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. CREED. I would like to observe, Mrs. May, that, as the chairman has frequently pointed out, one of the duties of this act from the farmers' standpoint is the fact that the consumers are not even aware of; that it is operating painlessly so far as they are concerned, but the fact remains that they are still being taxed for these conditional payments, whether they are aware of it or not. And it does not make it any less of a tax because it is a painless extraction.

Mrs. MAY. That was the point to which I was commenting. I have made many housewife-consumer groups aware of this tax, have explained it to them. As I have said, after I have explained it, and how it has kept the sugar price stabilized, they do not consider the act as giving unfair or undeserved protection to our American farmers.

Mr. CREED. Our point is that it will be stabilized at a higher level under the administration's program.

Mrs. MAY. Well, they are both "iffy" projections.

The CHAIRMAN. Mr. Breeding.

Mr. BREEDING. I would like to refer back to your testimony where you make the statement here, on page 14, and say that the payments in Florida ran from $50,052 to $97,342 per farm. What kind of farm is that?

Mr. CREED. Mr. Breeding, perhaps Mr. Matthews could give you a better answer to that than I. They raise cane sugar in Florida.

Mr. BREEDING. What would this be?

Mr. MATTHEWS. Will you yield?

Mr. BREEDING. In just a minute.

Mr. MATTHEWS. Will you yield just a moment?

Mr. BREEDING. I want to ask this question first. How much a ton do they get in payment: $60 a ton, perhaps?

Mr. CREED. I do not know as I have included that.

Mr. BREEDING. I want to know how much it is a ton, and how big is the farm, and then I will turn my time over to Mr. Matthews. I will then yield to Mr. Matthews.

Mr. CREED. These figures, Mr. Breeding, are all from the Department of Agriculture.

Mr. BREEDING. But they are in your statement here—that is the reason I wanted to ask the question.

Mr. CREED. These are sugarcane farms in Florida that are receiving these payments in these years.

Mr. MATTHEWS. If the gentleman will yield?

Mr. CREED. Does that answer your question?

Mr. BREEDING. Partially, yes, sir.

I yield.

Mr. MATTHEWS. As you know, we are hoping that the committee can come down to Florida on Memorial weekend to look into this sugarcane situation. I hope that you can go.

Mr. BREEDING. I would like to do so.

Mr. MATTHEWS. That is not in my district, by the way. I wish that I did have the sugarcane industry in my district.

The CHAIRMAN. If there are no further questions, we thank you.

Mr. JENNINGS. I have a question.

The CHAIRMAN. Very well.

Mr. JENNINGS. As to the groups that you are testifying for here, what percentage does your group use of the total consumption of sugar?

Mr. CREED. The industrial users throughout the country use, approximately, 70 percent of all of the sugar consumed.

Mr. JENNINGS. How is the other remaining percentage used?

Mr. CREED. By the housewife generally—in household packages.

Mr. JENNINGS. Do you think it is necessary that we have a sugar program?

Mr. CREED. Prior to the elimination of Cuba, Mr. Jennings, I think that with the conditions then there was a very serious question as to whether it was absolutely necessary. Today, I think, we have to approach it a little differently and have some sort of program operating. Maybe in another half dozen years that situation will change and it will not be necessary, but right at this time we think that it is preferable to have some kind of a program in operation.

Mr. JENNINGS. How much cheaper do you think that you can get industrial sugar without a program?

Mr. CREED. I have no idea. It would cost considerably more. I am sure of that, if it were all domestic, because——

Mr. JENNINGS. If it were all domestic?

Mr. CREED. Because under the basis of the present conditional payments and the highest possible production, if we depended entirely upon our own production, assuming that we could even provide that production, I think that we would have a considerably higher cost level, but I am not prepared to say by how much.

Mr. JENNINGS. Thank you. That is all.

The CHAIRMAN. Are there any further questions? If not, we thank you very much, Mr. Creed.

Mr. CREED. Thank you.

The CHAIRMAN. We will hear from you now, Mr. Baker.

STATEMENT OF THOMAS F. BAKER, EXECUTIVE VICE PRESIDENT AND GENERAL MANAGER, THE AMERICAN BOTTLERS OF CARBONATED BEVERAGES

Mr. BAKER. My name is Thomas F. Baker. I am executive vice president and general manager of the American Bottlers of Carbonated Beverages—the national trade association of the soft drink industry.

The soft drink industry consists of approximately 4,300 independent businessmen. These enterprises are local in nature and small in size. They are found in some 1,800 communities across this country and 75 percent of these plants employ less than 20 persons each. Yet combined they annually add more than $1½ billion in wholesale value to the U.S. economy. At retail, the value of soft drinks is in excess of $2 billion.

Sugar is an important commodity to this industry and to each of these businessmen. As a basic raw material, sugar represents approximately 50 percent of the material cost of the industry's product. In 1961, the soft drink industry purchased over 1,500,000 short tons of sugar at a cost in excess of $270 million. Because the price of sugar is quoted in cents per pound, it is difficult at times for some people to envision the magnitude of a seemingly insignificant price change. Where the price of sugar rises one-tenth of 1 cent, it costs the soft drink industry over $2½ million annually.

Sugar is important to these businessmen not only because of its cost, but also because of its nature. Unlike most of his other costs, the price of this ingredient is immune to any action he might take to temper its influence on his cost of manufacture. The price he must pay for sugar is dictated to him, relatively uninfluenced by economic laws which govern all other factors in the cost-profit ratio because of Government controls. Sugar is important also, because unlike most other food manufacturers, the soft drink bottler's attention to sugar is not distracted by other commodity ingredients. Sugar is his primary agricultural ingredient and he is vitally concerned with its continuous availability at reasonable prices.

Mr. Chairman, I believe you are aware that those of us who represent this industry have a familiarity with the technical functions of the Sugar Act and its operation over the years. Because there is little need for us to establish this understanding, and in view of the fact that great quantities of technical comment will be directed to the committee in the course of these hearings, we feel that we can best

serve the purpose of the hearings by commenting in a separate yet equally important area.

We well realize that a preponderance of the committee's effort will be concerned with problems of groups or interests who have come to feel that the shouldering of the sugar burden by the Federal Government was done specifically for their privileged gain. And it is to the consequences of such an economic philosophy that we feel our comments can be most helpfully directed.

The users of sugar have watched sugar legislation evolve with interest and mounting concern. In the beginning, every responsible sugar interest realized the wisdom in maintaining a domestic sugar producing capability. While admission of the high cost of such a program was readily given, no insurance policy comes without its premiums, whether the dividend is cash value or emergency supply of sugar. So cognizant of this high cost was everyone that in its message to the Congress the Roosevelt administration stated that a basic purpose of the legislation was to "provide against further expansion of this necessarily expensive industry."

While the economic facts have changed little, the legislative philosophy concerning sugar has changed drastically. Expressing itself openly in the 1948 act that philosophy has come to the strange economic conclusion that in spite of a commodity surplus, what was once an emergency source of supply should become a primary source of supply. Thus, those who are urging the planned sugar economy are directing that we abandon one primary source of sugar, and build another wherein the only direct result will be an opportunity to pay twice as much for a commodity, already in surplus world supply.

We do not need to inquire how such a strange philosophy evolved. It is not unnatural that those who benefit from windfall gains long enough begin to rationalize that such gains are due to them as an innate right or inherited privilege. The American consumer, which includes all of us, can inquire, however, and with some right, as to the economic logic of such an assumed position.

Sugar legislation is technically complicated, detailed, and specialized in nature. The economic conditions of the sugar market, however, are not that involved. The salient facts are, as a matter of fact, rather simple in their entirety. We all know that there is a surplus of sugar in the world and that production continually outstrips consumption. The Department of Agriculture predicts, as do most private sources, a continuation of this relationship to an even greater degree. The committee estimates that about 17 percent of world sugar is "homeless," that is, it wanders about looking for a market in a state of helpless suspension.

With a world surplus in existence, and with every likelihood of its becoming larger, the American consumer still sees the need for a domestic potential as an emergency supply. But again, the economics of what has transpired are difficult to grasp. The luxury of a subsidized industry of the proportion this original "potential" has assumed is tremendous. The Federal Government and the domestic sugar industry have spent vast sums of money in an effect to improve the production and technology of sugar. Nonetheless it remains an uneconomic endeavor. We believe they have made admirable progress.

The number of man-hours required to grow a ton of beet sugar has decreased 44 percent since 1948. Domestic cane requires 60 percent fewer man-hours per ton. With these great savings in labor, the production per acre of beets planted has increased 30 percent since 1948. Still, none of these savings have had the remotest effect in converting the domestic source of supply into an economical source of sugar for consumers.

This brings us then to the critical question before the Congress and before the American consumer. What is to be done with this giant now that it has been reared to maturity, at great expense to the economy, and, still unable to support itself. Many industries in this conutry have been nurtured through childhood and adolescence, Mr. Chairman, because of their productive contribution to the economy when turned loose as a full-grown, self-sustaining adult. We have here, however, an uneconomic industry which surges to larger physical proportions with each succeeding year, but which shows no more sign of contributing to the family support than it did during the first year of its birth. The larger it becomes, the more expensive it is to maintain.

As consumers of sugar, and noting that our interests are written into the goals of the act we are informed that the price of this commodity has been stabilized. Perhaps this is so, but we note that we are paying twice the price for sugar than we paid during the first year of the legislation. This would appear to be an increase of 100 percent, somewhat difficult to balance against the stabilization theory. As consumers we are informed that the refined price of sugar no longer fluctuates. In fact, however, we find only that it no longer fluctuates downward—it has fluctuated upward from about 4.5 to 9.4 cents since 1938.

We are also continually reminded by groups other than principal consumers that these advantages flow to us without cost. If we were naive enough to believe this, then curiosity alone would prompt us to question the origin of the $73 million subsidy paid the domestic sugar industry in 1960. Written into the law, however, is the explanation that consumers of sugar shall be taxed at the rate of 0.5 cents per pound of sugar purchased. Surely no inquiring mind need search further for the source of the domestic subsidy. If, of course, we could be assured that this $92 million, or our porportionate assessment, could guarantee us 55 percent of our needs, it perhaps could be rationalized as a somewhat exorbitant, but necessary premium for a reduction in risk. But unfortunately the possibility or domestic crop failures remain with us and in times of emergency, the diverting of this acreage to more essential foods or fibers. Additionally, history tells us that we could not purchase domestic supply assurances, with its limitations, for $73 million, were we in favor of such a subsidy payment. On the contrary, we face the very probable specter of that subsidy doubling to $150 million in the next few years, just as it has done in the past 25.

The contention that this special-privilege group is protected from the risks of the marketplace and guaranteed a profit on a self-sustaining basis is not supportable economically. The simple truth is that American consumers are taxed currently at the rate of about $100 million a year to support an industry which cannot compete in

the American economic system. The fact that this money passes through the Federal Treasury en route, and leaves a residual, does not change the nature of the burden, it merely magnifies it.

What, then, lies ahead? We respectfully suggest that the Congress must define its goal for this industry. It is doubtful that it will ever become economically competitive. At what level then will it be maintained? Is its present size sufficient? Should it be 10, 20, 50 percent larger? Just how much of a burden should American consumers bear? Perhaps more direct question is: How much will they bear?

We suggest, Mr. Chairman, that it is of significance to note the increasing use of sweeteners other than sugar from cane or beet. I think it fair to say, indeed, I think it necessary to say, that industrial sugar users in general are looking with increased vigor to artificial sweeteners, sugar substitutes, and sugar agents other than sucrose. Consumers have no incidental interest in committing funds to such developments. On the contrary, we have a direct interest in seeking a raw material priced by the same laws which, in general, govern our own survival. We do not predict the future of this trend, but cite its growth to the committee only for sound evaluation. It is possible, we believe, that a continued untiring effort to nourish a special group, relieved from the responsibilities of the marketplace, could in the end contribute to their economic injury as well as our own.

The committee is not going to inflict penalty upon the domestic sugar industry nor do we as consumers recommend such action. We do suggest, with all respect, that serious and earnest attention be devoted to the rising cost of maintaining this industry at its current or projected rate of expansion.

With the hope that this committee will appreciate hearing the views of consumers, our industry was pleased to participate in the joint statement presented earlier on behalf of all industrial users, and to support H.R. 11725. If consumers are to have a voice in the important revisions of the Sugar Act now being considered, the place to start is here with the House Committee on Agriculture, and we sincerely appreciate the opportunity to register these thoughts for your evaluation.

The CHAIRMAN. Thank you very much for your statement on this question. Are there any questions?

Mr. MCSWEEN. I would like to ask Mr. Baker a question. I think I understand your point of view, but I do not know that I sense what your recommendation is.

Mr. BAKER. My recommendation is that we are supporting H.R. 11725 as introduced by Mr. Abernethy and as expressed by the industrial users' brief.

Mr. MCSWEEN. Do you have any views as to what the future course of sugar legislation should be, beyond endorsing of this particular bill—you do not particularly offer any outlines for the future, do you?

Mr. BAKER. Other than the future contained in that bill. We think it is a right bill. We are concerned as small businessmen with a continuing artificial inflation of the sugar price. If you stop to take a look at this act, sir, you will find that not only are we trying—that is, the administration's side—not only are we trying to encompass a larger

part of the quota for the old growers, but we are not doing anything really to increase the overall basic quota. Further, to the extent that you dry up offshore refined sugar and replace it only with refined sugar in this country, to that degree you are adding some inflation to the cost of sugar.

One other fact: The administration's bill changes the cost-of-living index factor in section 201, and this is inflationary. It sets a higher price objective, so that the industry is seeking a higher and higher part in the quota. That is, the domestic industry. And the features that are in the administration's bill will not only give them that but add inflationary terms. That is what we find a little difficult to see.

Mr. McSWEEN. You could make the same argument you have made against the domestic oil industry. We have oil from Saudi Arabia and from South America that competes with Texas oil.

Mr. BAKER. I have no familiarity with that.

Mr. McSWEEN. I am telling you that it is the same situation. I notice that you cited a recommendation by President Roosevelt. Do you subscribe to all of his economic philosophies? [Laughter.]

Mr. BAKER. As with all Presidents, there are some of their philosophies that I subscribe to, and some that I do not. That happens to be the case here.

Mr. McSWEEN. Thank you.

Mrs. MAY. You said in your statement that you were concerned with what might happen during wartime in the country if we were dependent upon domestic sources of sugar supply. Cuba is out of the picture, Mr. Baker. What do you think would happen, so far as a stable source of sugar supply in this country is concerned, during a wartime emergency if we were mainly dependent on offshore supplies that would have to reach us by shipping?

Mr. BAKER. We believe that there should be an emergency supply of sugar potential in this country, and we said that in this brief and in the industrial users' brief.

You recall, Mrs. May, during the last World War II, acreage which was committed to sugarbeets formerly was diverted from sugarbeets into more essential food and fiber as determined by the President and the Secretary of Agriculture.

Mrs. MAY. This is because we depended upon Cuba.

Mr. BAKER. We have other nearby areas that are willing to expand their production.

Mrs. MAY. That would presuppose that we would not be involved in any international incident in nearby areas. I think that in today's world we cannot presuppose any of that, no matter how nearby they are.

Mr. BAKER. That is true. We just do not know.

Mrs. MAY. Thank you.

Mr. POAGE. If I correctly understand you, it is proposed that you are against any expansion of the domestic industry—that is what you are suggesting?

Mr. BAKER. No, sir; that is not what we are suggesting entirely. We suggest the growth formula that is in the 1956 act.

Mr. POAGE. The growth formula which is in the 1956 act?

Mr. BAKER. Presently in the act.

Mr. POAGE. Well, now, that is a relatively small growth factor, because most of that is to Cuba; is it not?

Mr. BAKER. I do not believe that growth was intended for the domestic industry in the 1956 act.

Mr. POAGE. I did not ask what it was intended for. I am just asking about the facts. Did not 96 percent of that go to Cuba?

Mr. BAKER. Ninety-six percent—let me see—what was the factor? This was the foreign supply.

Mr. POAGE. Ninety-four or ninety-six percent, in other words, practically all of it went to Cuba; did it not?

Mr. BAKER. And 12 percent went to other countries, with 96 percent to Cuba.

Mr. POAGE. All right.

Mr. BAKER. But that was a deficit in the domestic industry, or the growth factor.

Mr. POAGE. Then let us understand this. There are certain areas in the United States, justified or not, that have gone into the beet-sugar business. The Abernethy bill would make it possible for them to grow additional amounts; would it not?

Mr. BAKER. Under the existing terms the domestic industry would want to dictate, that is, what they would want to dictate, that would, perhaps, be true. I am not at all sure, Mr. Poage, that our industry would oppose the aims of the domestic industry to grow even a larger acreage if they would take off the artificial factors that are involved in it. Let them become self-sufficient in sugar.

Mr. POAGE. Under the terms of the Abernethy bill—that is the bill we have before us, is it not?

Mr. BAKER. We believe so.

Mr. POAGE. Under the terms of that bill there is no opportunity for any new area to ever establish another sugar mill in the United States; is there?

Mr. BAKER. It all depends upon where that new growth would go.

Mr. POAGE. How could he do it?

Mr. BAKER. They could direct it to new growth areas rather than to the old producer areas.

Mr. POAGE. In other words, if the Secretary would take it away from the old producers he could pass it on to the new producers?

Mr. BAKER. Not necessarily; the growth——

Mr. POAGE. Then you think that you would give them the hope of a subsidy, of having that opportunity to present it to them?

Mr. BAKER. I would say that if you would remove some of the inflationary characteristics of this bill our view might be entirely different.

Mr. POAGE. Are the characteristics of this bill any different from the characteristics of the wool bill which we have? Wool for a long time has been protected.

Mr. BAKER. I understand that the wool bill and this bill have certain similarities, certainly. I think they are the outstanding examples of this type of legislation; are they not? Otherwise, there would be a lot of Canadian wheat that would come into this country if it were not restricted.

Mr. BAKER. I would think so.

Mr. POAGE. Would not the people up along Mr. Short's area be hurt by that, and in Mrs. May's area, if we did not restrict that, have a limitation on Canadian wheat?

Mr. BAKER. We restrict the importation of sugar, too.

Mr. POAGE. Sure. What you are driving at is that you say that we should not restrict it; that we should import the cheapest sugar we can get. I think this is, certainly, what you have said—that is the thought, but I think that you must recognize that what you are advocating is that we must not protect the American crop if we can get it somewhere else cheaper—is that not what you are saying?

Mr. BAKER. No, sir. I did not recommend the abandonment of the sugar-quota system.

Mr. POAGE. Not entirely; not today, but you recommend putting your heavy hand on its throat and choking it down and have it gasping in a few weeks, and then you will have it dying in a few months—that is what you recommend; is it not?

Mr. BAKER. That is not what I recommended. We believe that the growth factor in the 55–45—we believe in that, that formula, in the current Sugar Act, and that it will give growth to the domestic industry, the growth, indeed, that they asked for in 1956.

Mr. POAGE. I doubt that they are getting what they asked for—I did not see it that way. But Mr. Abernethy will explain it to us.

Mr. SHORT. Mr. Baker, you made the statement that, since the original legislation, the price of sugar has increased, and I think you referred to the year 1938——

Mr. BAKER. That is right.

Mr. SHORT. And you said that the cost of sugar as one of your ingredients increased 100 percent.

Mr. BAKER. That is right.

Mr. SHORT. Is that out of proportion to the increases in other costs?

Mr. BAKER. I would suggest that our distribution and labor costs have increased at a higher rate than sugar; yes, sir.

Mr. POAGE. Has anything except water increased less than sugar?

Mr. SHORT. Well, there is probably an increased cost of even water.

Mr. BAKER. I believe our water costs are substantially the same as they were at that time.

Mr. TEAGUE. I can help out on that a little bit, I think; as far as oranges and orange products, the cost has not gone up 100 percent, but let me tell you this before you get too much sympathy for the sugar producers; that the sugar producers in the Republic of Mexico want to ship sugar into this country and yet there they prohibit the export of oranges from California to Mexico.

Mr. BAKER. I heard you ask that question this morning and I did not have the answer to that question then and I don't have it now, but I am sure that this committee will get the answer to both it and the tobacco situation in the Philippines.

Mr. POAGE. If I may, Mr. Chairman—let me ask you this, Mr. Baker, just one more question. I take it you are opposed to the amendments that I offer or that I will offer later on to prohibit the importation of white sugar—you want that to come in, rather, from abroad; is that right?

Mr. BAKER. To the extent that it did earlier; not to any larger extent.

Mr. POAGE. And that would be 1,500,000 tons?

Mr. BAKER. That is right.

Mr. POAGE. You want that tonnage to come in, in a refined form?

Mr. BAKER. Yes, sir, and the reason why this sugar can be bought from 10 to 20 cents a pound cheaper than American—that is also a competitive factor, on the American refined sugar.

The CHAIRMAN. All right, Mr. Baker; thank you very much for——

Mr. HARVEY. Just a minute, please, Mr. Chairman.

The CHAIRMAN. All right.

Mr. HARVEY. I want to ask just a very brief question.

What percent of the commercial sugar consumption does the beverage industry use?

Mr. BAKER. We use 1,500,000 tons of the annual quota.

Mr. HARVEY. What percentage is that, approximately?

Mr. BAKER. Well, that would be about 15 percent.

Mr. HARVEY. 15 percent?

Mr. BAKER. Right.

Mr. HARVEY. What percent of your normal product would you say sugar constitutes?

Mr. BAKER. Fifty percent of our material costs are sugar.

Mr. HARVEY. Fifty percent?

Mr. BAKER. Yes.

Mr. HARVEY. Thank you very much.

The CHAIRMAN. Thank you very much.

Our next witness is Mr. G. Griffith Johnson, of the State Department.

All right, Mr. Johnson.

STATEMENT OF G. GRIFFITH JOHNSON, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AFFAIRS

Mr. JOHNSON. Mr. Chairman and members of the committee, my name is G. Griffith Johnson and I am Assistant Secretary of State for Economic Affairs.

May I say first that Under Secretary Ball asked me to convey to you and the committee his regrets at not appearing here this afternoon. A combination of certain events that are in the headlines and his departure for Europe late this afternoon prevented his coming. In his place I appear before you today in support of H.R. 11730, a bill to amend and extend the Sugar Act for a period of 5 years. The Secretary of Agriculture has already outlined in some detail the provisions of the bill recommended for your favorable consideration, and to save your time, I shall not repeat those provisions or the reasons why they have the support of the executive branch.

As you well know, sugar legislation must take into account a large number of important interests. The Department of Agriculture had endeavored to put forward a bill which will serve the interests of sugar producers and consumers in the United States in the light of drastically changed circumstances in Cuba, formerly our principal foreign supplier. With your permission I will leave the provisions of the bill affecting the domestic industry to the testimony of the experts of the Department of Agriculture, and will confine my remarks to certain new features which primarily affect foreign countries supplying sugar to the United States.

The most important changes in this respect are contained in section 10 of the bill. This provides for the levy of an import fee on sugar entering the United States from foreign countries other than the Republic of the Philippines. This fee would be approximately equal to the amount by which our domestic sugar price exceeds the foreign market price for sugar, except that for countries now having basic quotas, the fee would be imposed in five equal steps over the life of the act. It would eliminate substantially all this subsidy or price incentive which now stimulates foreign countries to struggle so desperately for a sugar quota in the U.S. market. In the absence of this price subsidy, the need for individual countries quotas disappears. Within the limitations of an overall global quota, the market can then be opened to all friendly countries on a completely nondiscriminatory basis. The funds collected from the import fee would be deposited in the Treasury of the United States. On the basis of last year's price spread, collections would amount to about $130 million on the Cuban quota alone. The funds would be available for later appropriation, if the Congress should decide these amounts are necessary to supplement the substantial programs now underway to promote economic and social development in Latin America.

The removal of the price incentive, or so-called quota premium, would represent a sharp departure from the policy that has prevailed since 1934. The break with Castro's Cuba has ended a unique trading arrangement which had been in effect over a long period of years. We now have an opportunity before new vested interests become entrenched, to eliminate basically unsound elements in our sugar import policy. This opportunity may not occur again. The administration has given this matter the most serious appraisal, and has come to the conclusion that the benefits of the quota premium which formerly accrued to Cuba should not be extended to other foreign countries.

I might say, Mr. Chairman, that I understand this subject was discussed this morning in connection with Secretary Freeman's testimony and that certain views were rather strongly expressed. I appreciate this opportunity for rather briefly setting forth the reasons why the administration has reached a somewhat different conclusion.

The administration's decision to recommend this drastic change in our present sugar policy was taken for the following reasons:

We see no justification for continuing this unique arrangement to subsidize foreign sugar producers in order to assure adequate sugar supplies. The United States is heavily dependent upon foreign sources for a wide range of industrial raw materials and foodstuffs, yet has not found it necessary to subsidize foreign production to assure our foreign requirements are met.

Interruption of sugar trade with Cuba provides an opportunity to revise a system which no longer serves its original purpose. Cuba had a significant economic interest in the price premium as its quota was over 3 million tons. Aside from the Philippines, the vested interests of all other countries, 14 in number, amount to only 280,000 tons, and the total quota premium to these 14 countries in the last normal year, 1959, amounted to about $13 million. If the premium is phased out over a 5-year period, these countries should be able to adjust without serious difficulty.

We have aid programs today to direct resources on the basis of need. Aid through a sugar program does not assure that resources are going to the right places, at the right time, and in the right amounts. In the absence of any objective standards that can be consistently applied, quotas must be doled out on a basis that need bear little relation to needs or to efficiency in production. The temporary allocations made over the past 2 years to replace Cuban supplies have encouraged sugar expansion in some countries, not because of any inadequacy of world sugar supplies, but solely in anticipation of receiving permanent quotas in the United States on a preferred basis.

The need to allocate valuable quota privileges among competing foreign claimants creates the most difficult political problems. Virtually every cane sugar producing country in the world and many of the beet sugar producing countries in Western Europe are seeking quotas. In presenting and carrying out a long-term sugar policy, the administration should not take a position favoring some friendly countries over others. We make no friends in this process. Even those who receive a quota complain of its inadequacy and criticize us for favoring others with larger quotas. H.R. 11730 eliminates the necessity of choosing among the numerous claimants for the Cuban quota.

The import fee can contribute importantly to the improvement of our balance-of-payments position. We cannot ignore this very important consideration at a time when we are searching for every possible means to alleviate this problem. Initially, at least, the United States will recapture sizable amounts of funds now going to foreign countries. Although these amounts subsequently might be appropriated for economic assistance to Latin America, under existing procurement policies, we can be assured almost all such aid will be spent in the United States.

Finally, and I hope that the committee will give special consideration to this factor, we must be prepared for the day when Cuba returns to the West. At that time, Cuba must have the opportunity to sell sugar in the U.S. market. If we continue to distribute the Cuban quota with the premium price to other countries, vested interests in the new and larger quotas would become entrenched. It would be extremely difficult to reduce these quotas so as to provide a market for Cuba's major export commodity. It also would provide Castro with a persuasive argument that the West has deserted the Cuban people and that their economic future lies with the Communist bloc. Making the Cuban quota available now to all friendly countries on a nondiscriminatory basis would diminish the buildup of vested interests and still provide Cuba the opportunity to reenter our market.

I am informed by sugar experts of the Department of Agriculture that putting our sugar procurement on a global basis instead of relying on country quotas would introduce a needed flexibility and give us greater assurance of supplies. This feature they will undoubtedly explain at the appropriate time. In any event, the Department of State believes there are overriding foreign policy reasons for abandoning the present system of extending the quota premium to foreign countries. We therefore strongly support section 10 of this bill.

Thank you very much, Mr. Chairman.

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The CHAIRMAN. Well, Mr. Johnson, as I view your proposal, it is clear, and you make very clear your preference and what you are recommending, which is that we take the sugar program that has worked successfully and well for more than 25 years and convert it into a worldwide new formulization, whereby under your suggested program we would receive the money and we would put it in the Treasury and then we would take it out and give it away—you want to give it away—whether the Congress wants you to or not. Is that what you mean?

Mr. JOHNSON. Well, I would not interpret it that way, Mr. Chairman.

The CHAIRMAN. At a time when the President is advocating more income and better standards of living throughout the world, you want to pull out. This is going to stand out like a sore thumb. Every time you buy sugar from a friendly nation you will pay starvation prices, isn't that the end result of your proposal?

Mr. JOHNSON. Mr. Chairman, we would then be paying for sugar in the world market whatever other importing countries are paying.

The CHAIRMAN. That is right, starvation prices to friendly people.

Mr. JOHNSON. I don't see that there is any reason to assume that these are starvation prices, Mr. Chairman.

The CHAIRMAN. Well, you are laying it open for those with cheaper costs of production to manipulate the world market and to manipulate our friendly countries, and you are challenging and attacking the very basis of the program, as I see it. If you pull out the qoutas you have nothing left——

Mr. JOHNSON. Mr. Chairman, we are supporting the domestic aspect of the bill which supplies well over half of our sugar requirements. Before the break with Castro our foreign requirements have been supplied largely by the Philippines and Cuba.

The situation with Cuba today has changed so drastically that our sugar policy has to be revised in some way to recognize that change.

The CHAIRMAN. And how would you revise it? You want the right to acquire the sugar by first getting the Philippines to fill some of Cuba's quota and then some smaller countries—a world market; and you also make some other recommendations, and there is wording in the legislation about giving special consideration to Western Hemisphere countries—there is India, with so many tons——

Mr. JOHNSON. India is certainly a friendly country, and we would want to recognize the right of India to share in the world sugar market. I think that we would not argue in the case of India, as we would not argue in the case of other countries, that we should pay them a higher price than they could get in the world market and the purpose of this bill is to put——

The CHAIRMAN. But you would pay India for the sugar and yet India was relieved from buying 225,000 tons of wheat—now, did you know that?

Mr. JOHNSON. No, I did not.

The CHAIRMAN. What?

Mr. JOHNSON. I did not, sir.

The CHAIRMAN. Well, you know that is what happened, don't you——

Mr. JOHNSON. I cannot really comment on that. I would be glad to——

The CHAIRMAN. They offered to buy 225,000 tons of wheat if we bought that much sugar, and now they will be relieved of responsibility of buying anything from us and thereby the letter and the spirit of the law enacted by Congress is gone. And now you are the people who are bold enough to use the words "global quota", in the Department, I mean, you come out and talk about global quotas.

Mr. JOHNSON. That is right.

The CHAIRMAN. And no premium.

Mr. JOHNSON. That is right, except for the Philippines who are covered under the trade agreement.

The CHAIRMAN. Well—any question?

Mr. POAGE. If I may comment: you were not in the Department at the time that they made this arrangement with Brazil, but you do know about the arrangment with Brazil?

Mr. JOHNSON. You are speaking now of the supplementary allotments, I assume?

Mr. POAGE. Giving 225,000 tons of this business, without requiring Brazil to spend one dime of that money for American products. That is substantially what we did, wasn't it?

Mr. JOHNSON. I cannot confirm or deny it, Congressman. I would be glad to inquire.

Mr. POAGE. Well, frankly, Mr. Chairman, I am going to suggest that I would like the State Department to come up with some answers and come down here sometime when they can answer our questions—I am not blaming you, Mr. Johnson, but for several years this committee has been trying to ask the State Department why they did certain things and nobody has ever come forward, whether by design or by accident, but it has always occurred, nobody can answer the questions.

Now, other departments generally can think up answers for us. I would suggest to the committee that we ask Mr. Johnson to come back when he has the answers, to tell us about this Brazilian matter. For at least a full year I have been trying to get somebody to say something about that from the Department but each time it is, "I don't know about that, I cannot affirm that." I don't know.

Everybody outside of the State Department can confirm it but not a soul in the State Department can confirm or deny—and frankly I think that is an awfully bad situation for our Government, when a great department of the government cannot say anything.

Now, I can understand and I can respect your position on global quotas. I do not agree with you but I understand and I admire your stand on that. But this Brazilian situation is something—we want you to take it out from under the rug so that we can look at it.

Mr. JOHNSON. Mr. Congressman, I would be glad to come back and testify about that.

Mr. POAGE. I would like something on the Brazilian situation——

Mr. JONES. Would you yield for a slight correction?

Mr. POAGE. Yes.

Mr. JONES. Just to get one thing straight: Mr. Johnson, I don't know, perhaps I should know, but how long have you been with the State Department?

Mr. JOHNSON. Not quite a month.

Mr. JONES. I feel as does the chairman and Mr. Poage, I think the State Department should send somebody who has been through all of these different situations and let them explain—I think we are shooting at the wrong man now.

Mr. POAGE. Well, I don't want to shoot at anybody and, Mr. Johnson, I recognize that you have not had time to find out but you are the man now making those decisions, are you not?

Mr. JOHNSON. That is correct.

Mr. POAGE. Now is it your feeling that regardless of what the Congress tells you to do, that you should let people sell United States whatever they can and not ask that they buy anything from the United States? Do you feel that there is some fundamental purpose in allowing these people to sell to the United States without any obligation on their part to buy anything from us?

Mr. JOHNSON. Congressman, I think that I would certainly share the view of the administration in general, that trade is a two-way street and that the road has to be kept open for trade both ways. But certainly I don't believe you would suggest that we undertake to carry on world trade on a barter basis, which would mean that we would import from Brazil only on the basis of Brazil importing from us——

Mr. POAGE. Yes, sir, I do suggest it and that is what this committee said in the law, that you should give special consideration to Western Hemisphere countries, especially countries which are buying American agricultural products—and although apparently it does not suit your definition of barter, that is what the law says.

Now, Mr. Johnson, I am just asking you whether you feel that you or the Congress are making the laws?

Mr. JOHNSON. Well, Mr. Congressman, I think there are a number of ways of giving consideration to countries which import American agricultural products besides strictly barter arrangements in this area.

The Department has, as you know, in recent months undertaken to carry out a barter program with respect to sugar of a limited character and, frankly, there have been numerous difficulties that have arisen in connection with administering such a program which I think we would like to have the opportunity of putting down for the committee so that they can see some of the factors which led us to believe that this kind of program or this kind of method of stimulating the export of American agricultural products is not necessarily to the benefit of American agriculture.

Mr. POAGE. Well, may I suggest, Mr. Johnson, you have that opportunity right now. You will be afforded the opportunity right now to tell those things that you want to tell the committee. Yon have that opportunity right now. You are here.

Mr. JOHNSON. The reason I would like, Congressman, to have the opportunity of doing this either at a later date or doing it in writing is that I would want to draw on more fully than I can from my memory, the actual experiences of those in the Department who have been engaged in working out the problems in details of these exchanges.

Mr. POAGE. Well, you will have the opportunity to work it out and will you on your next appearance before us tell us whether you concur in the view that the United States should extend substantial quantities

of its sugar trade to countries in and out of the Western Hemisphere with no agreement or no action on their part to buy for cash any American agricultural products, keeping in mind that the statutory law of this country says "shall give special consideration."

Mr. BELCHER. Mr. Chairman, I don't think that he really intended to state that we should enter into barter transactions but——

Mr. POAGE. That is what I think, Mr. Belcher, but I think the gentleman from the State Department considers dealing with friends to be barter, I think that he feels that unless you are dealing with the enemies, that you are engaged in barter unless you are doing something where we are giving it away, where you get nothing in return. I think it is clear that he means that it is barter, at any time that we expect anything in return for what we are giving.

Mr. BELCHER. And as I understand the Brazilian transaction, instead of selling them the wheat that they were willing to buy, we bought the sugar from them and gave them the wheat.

Mr. POAGE. No, it was worse than that, worse than that. Or at least the report is not only that, but that part of the money for which they sold the sugar was used to buy wheat from the Soviet Union—I hope they will give us the actual facts on that matter because it is generally reported that at least part of the money they received from selling us sugar at a premium price was used to buy wheat from the Soviet Union.

Now, if that is true, I am asking you to bring us back some of the facts. I am very seriously interested in knowing whether we are financing those purchases from the Soviet Union.

Mr. BELCHER. That was to supplement the amount we were giving them——

Mr. POAGE. That may be right, but I want to say I don't believe in any such procedure as that. I don't think Congress intended that. I think it is perfectly true that what we intended was to do the reasonable thing, as Mr. Belcher said, we intended to trade with our friends, we intended to trade with people who traded with us, we did not ask to enter into a formal agreement and say, "you have got to bring back every dime," we did not tie it down to that far, but we said that——

Mr. BELCHER. If I recall, we said that those countries that purchased from us——

Mr. POAGE. Yes, that we would give them special considerations, special consideration to Western Hemisphere countries and countries buying agricultural products from the United States.

Now, I thought that a fourth grade boy would understand what we said.

The CHAIRMAN. I am not blaming Mr. Johnson for this, he did not do this, but I think that if the Department can repudiate what has been done—I don't mean to say repudiate but if the Department has any view on it now that is new we would like to have their new view on it—and I hope they have a more enlightened view on it, one that has a little interest in the United States in it. We are concerned with doing something with the agricultural products of this country that should be worth something to the people of the United States.

Now, again, didn't you—and I am not saying you but the Department, the Department did recommend, did it not, that we give the

Republic of the Congo, instead of making them loans, that we give them a grant of all but 2 percent of the funds—2 percent would be available for American expenditures and the other 98 percent would be in the form of a grant—the State Department recommended that, didn't they? It has not been signed yet, I know that.

Mr. JOHNSON. I cannot answer that question.

The CHAIRMAN. I know, but would you recommend a thing of that kind?

Mr. JOHNSON. Well——

The CHAIRMAN. Would you recommend?

Mr. JOHNSON. I cannot say that either, Congressman. I don't know. It would depend on the circumstances, but I don't know.

The CHAIRMAN. Well, do you think that the law contemplated anything of that kind? I understand that you might want to give it away, but do you feel that you have the legal authority to give away the property of the United States on any such terms as that?

Mr. JOHNSON. As I understand, the law permits transactions of this nature——

Mr. POAGE. Permits a nation a grant for disaster, for disaster purposes it allows permission to grant 100 percent, you don't have to take out 2 percent for such purposes. But when we are selling under title I of 480, we thought that we were making some sales under that, but it is just like the sugar proposition, "why, it might help the United States if we did that, so let us not do it, let us give it away to the other fellow."

The CHAIRMAN. Any questions?

Mr. DOLE. No questions, Mr. Chairman, but I might remind Mr. Poage that, with regard to the Department sending someone down who can answer questions or who is responsible for the bill, for those transactions, and commenting on Mr. Johnson returning with the answer of the State Department, I think perhaps his answer now would probably be better than it will be later.

[Laughter.]

The CHAIRMAN. Well, thank you very much, Mr. Johnson. I do agree with the proposal that somebody from the State Department must come back at a later date with the information that we should be able to obtain. And if there are no further questions, thank you very much.

Our last witness today will be Mr. Robert C. Hockett.

STATEMENT OF ROBERT C. HOCKETT, REPRESENTING A GROUP OF MANUFACTURING CONCERNS

Mr. HOCKETT. Mr. Chairman, I think this statement will take me about 12 minutes.

The CHAIRMAN. All right, sir. You may proceed.

Mr. HOCKETT. For the record, my name is Robert C. Hockett, consultant to the food industry on foods, fermentations, pharmaceuticals, organic chemicals, and sponsored research.

I am authorized this afternoon to speak on behalf of a group of industrial nonfood sugar users, to distinguish this group from that which was represented by Mr. Creed. The following companies are members of this group:

Miles Laboratories, Inc., of Elkhart, Ind.;
Charles Pfizer & Co., Inc., of New York;
The Dow Chemical Co. of Midland, Mich.;
The Baxter Laboratories, Inc., of Morton Grove, Ill.; and Dawe's Laboratories, Inc., of Chicago, Ill.

There are other firms that have been supporting the proposal we are about to make but as of this moment I do not have the authorization to read out their names.

These concerns are representative of many which employ sugar for nonfood industrial applications or for transformation into materials of nonfood character or which are completely noncompetitive with sugars as sweetening agents or as ingredients of food products.

The names of the firms for which I am authorized to speak are appended to this statement.

Their petition is that the contemplated new revision of the Sugar Act of 1958, which has been amended and extended at various intervals in the past, without drastic change, should contain provision for entry of raw or refined sugars for such uses outside the system of foreign quota limitations which has been in force heretofore, or the future equivalent of this quota system.

They submit that a modification of the act to accommodate such nonquota entry of "industrial sugars," suitably defined, is in full accord with the basic purposes of the original act and its successors, which purposes it is surmised will also be maintained in any new act which may be written to succeed one now in force.

Among the stated purposes are these: "to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States; and for other purposes."

In effect the act has successfully preserved for the domestic sugar producers the maximum fraction of U.S. demand which they could meet uniformly and reliably. It has maintained prices at levels which would assure reasonable profits to processors and growers. It has protected consumers by maintaining prices of sugar at a stable and reasonable level in relation to prices of other commodities, and by providing adequate total supplies through regulated admission of foreign sugars in quantities sufficient to supplement the domestic production. It has also, through the foreign quotas, furnished a premium-price market to certain favored areas while providing such foreign producers with a continuing stable basis for planning agricultural and milling operations.

Since the act already preserves for domestic producers the largest segment of the domestic requirement for food-purpose sugars that they can regularly and reliably fulfill, the extra-quota admission of sugars for completely other, noncompetitive purposes could not in any way affect their markets. Neither could it influence supplies or prices of sugar as they affect the consumers of sugar or sugar-containing commodities as human foods.

Certain favorably situated domestic and foreign producers should, however, receive definite benefits through nonquota admission of industrial nonfood sugars by creation of totally new markets for sugars of this category.

It is submitted further that the framers of the Sugar Act of 1948 actually intended to exempt industrial sugars from the quota system as revealed by the phraseology of section 212(4), which reads: "The provisions of this title shall not apply to—(4) any sugar or liquid sugar imported, brought into, or produced or manufactured in the United States for the distillation of alcohol, or for livestock feed, or for the production of livestock feed."

These two exempted categories are clearly in the realm of industrial uses completely noncompetitive with the great volume of sugar use as a human food or food ingredient. The distillation of alcohol represents a complete transformation of sugar into a commodity of entirely different character which is utilized for totally different and noncompetitive purposes. Livestock feed represents a use for sugar which has not been transformed chemically and is still sugar, but in an application completely noncompetitive with the utilization as a human food or food ingredient.

While the intention of this section to exempt industrial sugars appears manifest, the administrators of the act have never felt that they had authority to interpret its intent beyond the strict limits of the literal phraseology.

During the interval since this present section 212(4) was adopted, many changes have occurred. On account of technological advances, the use of raw sugar for distillation of alcohol has been discontinued altogether leaving the use of sugar for livestock feed as the only exempted industrial application in actual effect. At the same time many other transformations of sugar by chemical or fermentative methods into totally noncompetitive products have been accomplished and many new actual or potential uses for untransformed sugar in nonfood industrial purposes have been developed. Some of these are already being exploited on an industrial scale; others are as yet undeveloped as commercial realities for economic or other reasons.

While we shall not attempt to review these developments exhaustively in the present statement, a few illustrative examples may be mentioned. These include citric acid, gluconic acid, dextran, ketogluconic acid, monosodium glutamate, glycerine, sorbitol, mannitol, saccharic acid, lactic acid, isoascorbic acid, propylene glycol, kojic acid, alpha glucosidase, sugar based plastics, and many other substances.

It is not possible at present to arrive at a very accurate estimate of the amounts of sugar currently being employed for such industrial purposes since administration of the present act does not require separate accounting for such applications. The Sugar Reports of the U.S. Department of Agriculture (No. 120, April 1962), show the delivery of 79,297 tons for nonfood products in calendar year 1961, while 31,565 short tons, raw value, were imported for animal food in the same year. The former figure is certainly low since unknown quantities of sugar purchases in relatively small amounts from wholesalers and jobbers for industrial uses must not be included in this total. The USDA figure cited represents about 1 percent of the total sugar distributed in 1961.

In addition, large quantities of high-test molasses have been used in recent years for some of the industrial purposes enumerated above. This product can be utilized for some of these industrial processes, and,

when conforming to the defined specifications for molasses, has been available for entry outside the quota restrictions.

High-test molasses was originally developed chiefly for use in alcohol distillation. For this application it is fully satisfactory. However, for many other chemical and fermentative transformations of a more exacting nature, it is much less satisfactory because of its variable composition and quality. However, the sporadicity and unreliability of supply, now further complicated by the situation in Cuba, has always impeded the development of industrial processes based upon high-test molasses as a raw material. Admission of exempt raw sugar for such applications would provide a wholly reasonable and expedient alternative raw material to the advantage and relief of industry, yet without loss even of immediate revenue to the Federal Government.

We submit that, for the reasons stated, admission of extraquota sugars for industrial nonfood purposes could not damage the interests either of domestic sugar producers or the consumers of food sugar. The requirements of industrial nonfood sugar users are relatively so small that they could not affect significantly the pool of world sugar supplies available to supplement the maximum U.S. domestic production for food purposes.

On the other hand, these relatively small entries of extra-quota sugar for nonfood industries could have a disproportionately large value to the economy. They could make entirely new industries possible with benefits in terms of new plant construction, new employment opportunities, new payrolls, additions to the gross national product and new taxes. It can be shown that each ton of sugar used in certain such industrial applications will contribute a great deal more relatively to the economy than many tons of raw sugar imported for human food.

A ton of raw sugar received c.i.f. in New York is eventually sold at retail in refined form at about double the original purchase price.

A ton of similar sugar converted into equivalent chemical products may be "upgraded" in value by six or eight times. With comparable overall profit margins, most chemical processes using sugar can be expected to make a larger contribution to the economy than sugar processing for food purposes. This consideration certainly justifies entry on a different basis for such diverse purposes.

Full commercial development of the potentials illustrated in the list of commodities above is dependent in many cases upon the availability of low-cost industrial sugar as raw material. Refined sugar, while reasonable in price for food purposes is too expensive as a raw material to encourage use for many of these potential chemical or fermentative transformations. Quota raw-sugars at the prevailing premium price levels maintained within the United States for food uses as protection to the domestic producers are also too expensive. Entry of extraquota sugars from the pool of world free-market raws would provide a favorable base for vigorous development of new sugar-based industries and fresh growth of existing industries without effect upon the structure or operation of the food-sugar regulatory system which has been in effective use.

It is therefore most respectfully urged and requested that consideration be given to the replacement of the present section 212(4) by a new section to read substantially as follows:

"The provisions of this title shall not apply to—(4) any sugar or liquid sugar imported, brought into, or produced or manufactured in the United States for the production of alcohol, or of any other products of fermentations induced by microorganisms or enzymes, or for livestock feed, or for the production of livestock feed, or for transformation by chemical processes into substance or materials not competitive with sugar as a sweetening agent or as a food, or for direct use in nonfood industrial applications."

If the new Sugar Act should abandon the quota system and substitute an import fee, the same objectives could be attained merely by waiving the import fee on sugars imported for the purposes defined and stated above.

The admission of industrial sugars outside the quota or exempt from the import fee could be an instrument also for improvement of international relations with sugar producing and exporting nations by creating totally new outlets for some part of their sugar production.

Failure to provide favorable conditions for entry of such industrial sugars into the United States, will certainly encourage American firms to establish the manufacture of new sugar-based products in foreign areas even though these products and processes have been conceived, pioneered and developed in this country by American scientists and engineers with American capital. Such loss of industry would be both unnecessary and unfortunate.

We have heard no objection to these proposed measures more explicit than a reluctance to contemplate any change in the system beyond an irreducible minimum. We submit however that progress demands change.

In summary therefore,

1. It is proposed that entry of sugars for defined industrial nonfood purposes be exempted from the quota system or its future equivalent in terms of an import fee system.

2. It is submitted that such entry is consistent with the purposes of the present Sugar Act and its contemplated successor and would not affect the continuing achievement of these purposes.

3. It is submitted that exemption of nonfood industrial sugars was clearly intended in the original act as shown by the phraseology of the present section 212(4) so that its wording need only be expanded to cover technological developments that have occurred since this section was written.

4. It is submitted that if the quota system is abandoned in favor of an import fee, the same purposes can be achieved by waiving the fee for sugars of the category defined above.

5. It is submitted that exemption of such industrial sugars from the import quotas or import fee would stimulate development of new American industries with large advantages to the economy in proportion to the volumes of sugar involved.

6. It is submitted that such exemption of industrial sugars will create totally new markets in the United States with advantages to international relations with sugar-producing countries.

7. It is submitted that such exemption of industrial sugars will forestall the establishment of foreign manufacture for sugar-based products developed in the United States by American enterprise and American capital.

We realize, Mr. Chairman, that in making this statement we represent an extremely small minority among users of sugar and the very force of our argument is based upon the fact we are such a small minority.

We hold that we are unduly and unnecessarily constricted and restricted by an incidental provision in the present sugar act which is wholly unnecessary for its efficient operation and which was meaningless a few years ago but which has begun now to pinch because of the development of new technologies.

The CHAIRMAN. Have you discussed this proposal with someone in the department?

Mr. HOCKETT. Yes, sir. It has been submitted to Mr. Myers, it has been discussed with Mr. Myers.

The CHAIRMAN. And what was the reaction?

Mr. HOCKETT. Well, I don't know—he did not authorize me to quote him and I don't know whether I should. Is that ethical?

The CHAIRMAN. Well, we feel Mr. Myers will probably be before the committee before we adjourn.

Mr. HOCKETT. But he did make a comment to me which I hesitate to repeat because he did not authorize me to do it. I also acquainted all members of the sugar-producing groups with this proposal and I have asked them for criticism of it and I have received no specific objections of any kind from any segment of the sugar producing industry.

The CHAIRMAN. Well, I am surprised at the statement you have here taken from the Sugar Reports of the Department of Agriculture showing 79,297 tons delivered of nonfood products——

Mr. HOCKETT. Nonfood sugar for nonfood products. This, of course, was all duty-paid sugar and was quota sugar. I have tried to break down what this sugar was used in, during my 9 years as director of sugar research I have tried to get some figures but have never been able to get reliable figures where the sugar goes.

We know that a little bit is used in dynamite and some in foundries and some in glycerin and so on, but we don't have anywhere a good breakdown of where these sugars go.

The CHAIRMAN. Well, I guess a lot of sugar goes into the tobacco factories.

Mr. HOCKETT. That is true. That is another nonfood use, really.

The CHAIRMAN. Yes.

Any questions?

Mr. SHORT. Could the domestic sugar producers produce, perhaps at a lower price, beyond their domestic quotas to supply a part of this need?

Mr. HOCKETT. This is something I have looked into quite throughly.

We found that the prices paid for sugar in the beet are still rather high, as a basis for some of these industrial processors—this is even before it is taken out. We would like very much to be able to tap the domestic beet or cane industries in Louisiana and Florida for such sugar, but we have never been able to find a product both satisfactory and low enough in cost for some of these purposes.

Mr. SHORT. Well, for these purposes you are talking about, this sugar would not be in its last refined form, as I understand it.

Mr. HOCKETT. No, it could even be in the form of—well, like raw sugar, or in many cases, in the form of sirup, relatively pure sirup.

The CHAIRMAN. And if you brought that sugar in, it would be displacing some other sugar.

Mr. HOCKETT. Well, sugars have been brought in, you see, they have been coming in, some of them, for these processors.

The CHAIRMAN. I know, but the sugar from Cuba that used to go into the tobacco factories, that was charged up against the quotas——

Mr. HOCKETT. Oh, that is true, the raw sugars that are used in the tobacco plants are charged up against the quota and some is used in tobacco processes——

Mr. SHORT. Well, it is just some molasses, as I understand it, that is not subject to quotas that is used in lovestock feeds?

Mr. HOCKETT. No, raw sugar can be brought in as livestock feed under the old law.

Mr. SHORT. It can?

Mr. HOCKETT. Yes, and 34,000 tons came in last year. It is about 35,000 tons, although that goes up a little or down a little from year to year—not large.

The CHAIRMAN. Your statement says 31,565 short tons came in as animal feed in the same year——

Mr. HOCKETT. That was 1961. These are figures from the U.S. Department of Agriculture Sugar Reports. As I understand, this sugar is outside the quotas.

The CHAIRMAN. How about sugar used to make alcohol?

Mr. HOCKETT. We are not interested in alcohol but there are many other products, such as citric acid, maleic acid, gluconic acid, and many others, where the use of raw sugar at the present premium price would be a very expensive starting material.

The CHAIRMAN. And would it also be expensive to make alcohol out of it?

Mr. HOCKETT. Well, you know, we have gone mostly to synthetic alcohol made from petroleum products, from ethylene. Very little alcohol is distilled from sugar, and there is only one company left today that is using presently large quantities—they used to bring, that is, large quantities from Cuba, they were allowed to buy grain at a very special discount price and a year or so ago they dissuaded them from buying Cuban products in view of existing conditions——

The CHAIRMAN. Are you speaking of the Publicker Corp.?

Mr. HOCKETT. That is correct, and they were persuaded to desist from this. Although there was not an absolute boycott on Cuba, they were persuaded to desist by being offered surplus corn at very special low prices. This of course is a handout arrangement, it is not something that industries can be built upon—unless they could be assured of a supply of really low-cost industrial sugar.

The CHAIRMAN. Well, sir, we thank you very much and your statement will be before the full committee in its considerations.

We will resume tomorrow.

(Whereupon, at 5:25 p.m., the committee stood in recess until 10 a.m., Thursday, May 17, 1962.)

SUGAR

THURSDAY, MAY 17, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 10 a.m., pursuant to recess, in room 1310, New House Office Building, Washington, D.C., Hon. W. R. Poage presiding.

Present: Representatives Poage (presiding), Abbitt, Jones of Missouri, Jennings, Breeding, Harding, Hagan of Georgia, Purcell, Hoeven, Dague, Belcher, McIntire, Teague of California, Quie, Short, Mrs. May, Latta, Harvey of Indiana, Findley, Dole, Beermann and Fernós-Isern.

Also present: Christine S. Gallagher, clerk; and John J. Heimburger, counsel.

Mr. POAGE. The committee will please come to order.

The committee is meeting this morning for continuation of the hearings on the sugar program. We will be hearing this morning from those new growers and new areas which feel that they cannot participate in support of the general proposition.

It is our custom always to hear our colleagues as expeditiously as we can, and we have with us this morning the ranking member of the Appropriations Committee and chairman of the Subcommittee on Defense Appropriations, Mr. Mahon.

Mr. Mahon wants to appear in behalf of certain new growers. I believe that you will introduce your constituents, Mr. Mahon. We will be glad to hear from you now and glad to have you call anybody you want.

STATEMENT OF HON. GEORGE H. MAHON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. MAHON. Thank you, Mr. Chairman, for this opportunity to appear before the committee in behalf of would-be new beetgrowers in Texas, particularly in the Panhandle Plains area in Texas.

Last year this committee held a hearing and a number of our people appeared and expressed their great interest in sugarbeet allotments being made adequate so as to provide them with additional acreage, and with the hope that additional mills might be constructed at a later date.

There are a large number of farmers and would-be growers in my area who have not come to Washington for this hearing. They were discouraged from coming because it was explained that it was necessary to push this legislation along as rapidly as possible.

I want to say that the people of our area are tremendously interested in this subject. I have been in touch with many of them in regard to the administration's bill. I do know that they and I would like to go much further than the administration bill goes in providing acreage for the new growers. The bill should be made much more adequate for new growers in new areas.

I realize this committee has a difficult problem here to deal with. We just want you to do the best you can under these circumstances to help new growers. This is important to our welfare.

Now, Mr. Don Hegi, will you please stand up? Mr. Don Hegi is from Petersburg, Tex. He has a prepared statement that he would like to submit. He is not going to ask to testify because of the time factor, but he will present it with the permission of the chairman of the committee for the record at this time.

Mr. POAGE. Without objection, the record will include Mr. Hegi's statement.

(The prepared statement of Mr. Don Paul Hegi follows:)

STATEMENT OF DON PAUL HEGI, PRESIDENT OF HALE COUNTY SUGAR BEET GROWERS ASSOCIATION OF TEXAS, ON BEHALF OF HALE COUNTY PROSPECTIVE SUGAR BEET GROWERS

I am Don Paul Hegi, president of the Hale County Sugar Beet Growers Association of Hale County, Tex. I am here representing an association which includes approximately 175 members.

I farm 440 acres of land near Petersburg, Tex., in Hale County, located on the south plains of Texas. Our area has produced a limited amount of good quality sugar beets for a number of years. The limiting factor in our production of sugar beets is the lack of a refinery and sugar beet quota. Naturally, we would like very much to have this situation remedied.

The efficiency of American agriculture has, in a sense, worked against itself. We are confronted with many complex problems. Can we turn to any other governmental agency for help? No, gentlemen, we need your help. Of course, our Congressmen, congressional committees, and Department of Agriculture should be, and are, most interested in us, the American farmers. Surely you have a great responsibility resting on your shoulders. An article in the April 1962 issue of U.S. News & World Report quoted government economists as estimating a need for 60,000 new jobs a week between now and 1970. These economists also estimated a 16 percent decrease in agricultural population between 1960 and 1970. What kind of future does agriculture hold for my three sons? Surely it is imperative that we all do everything possible to strengthen our agricultural situation when opportunities arise.

Our association feels that sugarbeets are one answer to this problem. By growing a nonsurplus crop we will remove a corresponding acreage of surplus crops, mainly feed grain, which is one of our outstanding surpluses. The American farmer does not have any more of a desire to continue to add to our surplus crops than the Government has to increase their stocks of these crops. How very reasonable it seems to us to take advantage of the situation as it now exists in sugar production. Are we not deserving of due consideration in this matter.

Gentlemen, there are a lot of everyday items the American public use that could be imported cheaper than can be produced here in America if we were to take advantage of different types of cheap foreign labor.

We are very reluctant to agree with the bill as presented by the administration and recommended by the sugar industry. We feel the American farmers are due a larger consideration than is being recommended here. Why must so much consideration be given to foreign nations when many problems face American agriculture? Many people feel that Cuban dependence on a one-crop economy has actually been detrimental to that country's economy.

We agree with the many other new-grower representatives that this bill is not as favorable as it should be. In our opinion, 100 percent of the growth factor for domestic production, with at least 85,000 tons each year for new grower

areas, is not at all unreasonable. This would provide a more rapid expansion for new grower areas. It is also very difficult for us to understand why at least a part of the former Cuban allotment could not be given for increased domestic production.

The south plains area of Texas is one of the best agricultural sections in the United States. Mr. Ernest Sammann, in his statement before this committee last year, presented many facts and figures concerning our irrigated section, which I will not duplicate at this time.

The American farmer is deeply worried about the surplus situation. We very earnestly and sincerely urge that this committee give our own farmers every possible consideration in the new Sugar Act. We feel that an honest evaluation of the sugar problem will result in a much more substantial increase in domestic production.

Thank you, Mr. Chairman.

Mr. MAHON. There are also those from our Panhandle-Plains area who I am sure will have statements, who are most concerned and interested in this subject. The fact that we do not have a room full of people here is in no way an indication of a diminution of interests. The interest is very high. We want to get into the sugarbeet production business as soon as we can, and we want every possible assurance about that, so that we can go forward.

We will appreciate the endeavors of the committee. We thank you very much.

Mr. POAGE. Mr. Hoeven suggests that the committee is interested in quality rather than in quantity, anyhow. We believe that you have the quality in representation from your area.

We had yesterday what I thought was a rather firm commitment as to the new areas, that is as to all of the new areas, to take care of everybody's new area situation. We questioned the Secretary of Agriculture, and I thought that he was very frank and very fair and gave a very satisfactory answer as to how we would use these 50,000 tons provided for in the administration's bill for the new growers. Many of us, frankly, were concerned and are concerned whether this would work, whether it was adequate, whether it makes certain that the acreage is to be used in the new areas rather than to be used simply to enlarge the proportionate parts of those who already are being served by the present acreage. I think the Secretary said very clearly that he would provide for the new growers. I think there was general agreement among the people of the domestic industry that this 50,000 acres would be made available, first to new areas and that there would be an attempt made later to see that the language in the bill is perfectly clear that that is what is intended.

Mr. MAHON. Thank you very much, Mr. Chairman. We want our out-of-town witnesses to know that they will be able to read the transcript before it is printed and to confer with the members of the committee from time to time.

Thank you.

Mr. POAGE. Thank you again, Mr. Mahon. We are very much obliged to you. We hope that you will stay with us.

The Maid of Cotton is here, and this committee is honored to have her visit with the committee. I am sure that the committee will be glad to welcome her. [Applause.]

QUESTION FROM THE FLOOR: From what area does this lovely girl come?

Mr. POAGE. She comes from Waco, Tex. [Applause.]

For a good many years it has been the privilege of this committee to meet the Maid of Cotton. Each year we have held it to be a distinct privilege and opportunity for our Committee to meet the Maid of Cotton, as completely nonpartisan and impartial observers.

I think there is no question but what this year it is a greater privilege than it has been any year past.

I might say to you, Penne, that Mr. Mahon, the gentleman who was just talking, grows more cotton in his district than they do in any other State in the Union.

The gentleman over there, Mr. Jones represents the "Boot Heel" of Missouri. His district grows quite a bit of cotton. They are moving cotton so far north today that they cannot tell there whether they are picking cotton or picking snow sometimes—it looks so much alike.

We all recognize that cotton is the greatest cash crop we have, that we sell more directly into the market. We know, of course, that corn is a big cash crop. But cotton is the biggest direct cash crop in the United States. It has been historically something that we have been proud of, and something on which we have depended.

We are proud that the Cotton Council sent us a lovely representative. I am glad to have the opportunity and the privilege to present the Maid of Cotton for 1962, Miss Penne Percy of Waco, Tex. [Applause.]

STATEMENT OF MISS PENNE PERCY, MAID OF COTTON, WACO, TEX.

Miss PERCY. Thank you.

Good morning, everybody. It is a pleasure to be here today. We have been traveling around, preaching good will for cotton.

Very shortly we will be going to Europe.

I understand that the sugar bill is trying to get sugar into the country, but where we are going, we are going to take a little sugar out of the country to Europe.

Thank you for letting us come here this morning to visit with you a brief time. [Applause.]

Mr. POAGE. The committee will be in order. We will continue according to the schedule that has been given us. We will next hear from the representatives of the New Mexico Sugar Beet Association, Mr. Z. A. McCasland, Mr. Howard V. Martin, Mr. L. E. Davis, and Mr. Rosco Fletcher. These gentlemen are present?

Mr. SPENCER. Mr. McCasland and Mr. Martin will be unable to be with us today. We would all like to make statements.

Mr. POAGE. You may proceed in your own way.

STATEMENT OF J. R. SPENCER, CURRY COUNTY SUGARBEET ASSOCIATION

Mr. SPENCER. Mr. Chairman and members of the House Agriculture Committee, in behalf of the Curry County Sugar Beet Association, I wish to express our appreciation for this opportunity to present our remarks for the record in this hearing.

Our county is located on the eastern edge of New Mexico, midway with respect to the north and south boundaries of the state. About one-fourth of the cultivatible area of our county, something around 100,000 acres, is under irrigation.

At the present no sugarbeet acreage is under production in our county, with the exception of a few test plots and a relatively few acres being grown experimentally for livestock feed.

We are interested in long-term sugar legislation which will permit our irrigation farmers to improve their lot, economically speaking.

We are not asking for legislation for just our section of the country. Instead, we are interested in legal authority for the several areas of the United States who, like we, possess the soil, water and climatic characteristics suitable for sugarbeet culture.

The purpose of our testimony will be to briefly point out why, as a nonproducing area, we feel domestic production of sugar should be greater than is at present allowed. We would not attempt to recommend how much increase in terms of percentage of tonnage for new areas for the reason we are not qualified to base such a recommendation on fact. We realize the problems this committee faces, taking into account the different growing areas and the areas not producing who wish to do so; the problems between the cane and beet interests; the problems of the refiners; the concern of the Department of State, et cetera.

But we do believe sincerely if you appreciate the desire of the American farmer to receive a fair return on his investment, on his hours of labor and with the risks they face in today's business of farming, then we believe you will arrive at a fair increase for domestic producers, whoever and wherever they may be and whatever the percentage of increase might be.

This is basically what we request—the chance for a little more diversification into a commodity which offers some degree of promise for a profit, and which is not a surplus crop in this country.

Perhaps the No. 1 prerequisite for any new legislation is to first determine the need for such legislation. Is there a need for a permanent sugar law, incorporating more domestic production?

We think so.

We believe there are several reasons which have been previously pointed out with articulate clarity since the beginning of short-term extensions of the present act almost 3 years ago.

Among these valid reasons are:

(1) This is a crop not in surplus, which could replace many thousands of acres of crops now in great surplus.

(2) Sugar is an important crop to our standard of living and we should not be dependent for so much of it from oversea—and in the future, possibly uncertain—sources.

(3) This crop is basically good for the soil. Sugar is nothing more than carbon, hydrogen and oxygen—none of which is chemically important to the productivity of the soil. This does not deplete land, like cotton, for example.

(4) Our farm economy is in need of a "shot in the arm." This is the underlying philosophy of the rural area development program, to which we ascribe and to which we in Curry County, N. Mex., already have set up the rural area development organization to implement this program. If several multimillion-dollar refining plants could be built in this country as fast as industry could economically gear itself, such production increase could put hundreds of people to work in the plants, could put many thousands more to work in con-

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struction employment and on the farm jobs. You can readily appreciate this economic advantage to our country. We feel such an increase needs to be a gradual and sustaining thing—an increase, not just to satisfy the cries of the present, but for the years to come so as to permit industry to orderly program future growth and expansion.

(5) We think we need to promote the general welfare of our own people—the producer, the consumer, the investor. Certainly we are not opposed to importation of sugar from foreign sources. Although we do not understand the full implications of foreign trade, we do appreciate the necessity of favorable trade balance, the need for assisting underdeveloped friendly nations and the humanitarian responsibilities of a world power. As stated before we are not opposed to foreign sugar purchases or the foreign farmer, instead we are for the American farmer.

These are not all the reasons which might be advanced to establish the need for increased sugar production, but we think they serve to illustrate the point.

If, for the sake of assumption, we might conclude the need exists for such an increase, then the second point which we would mention is the suitability of our area to sugarbeet production.

Mention was made earlier of some test plots which were planted in our country last year. Without the benefit of previous experience with this highly specialized crop and without the proper farm equipment, these tests produced quite satisfactory results.

To quote from the report on a new area trial plots conducted by one of the beet sugar companies looking into the Southwest, "Trial plots at Clovis, Roswell, and Artesia, N. Mex., have all been very encouraging to date, with most of them indicating that very heavy yields could be expected."

This was the statement by the director, agricultural development of the company who kept in frequent communication with our county agent, in addition to making numerous inspection trips to our area throughout the growing period.

These resuts were particularly heartening to us for it proved conclusively a quality beet could be grown in our area.

Not that this will have a great deal of bearing on this hearing, but to further illustrate our concern for the chance to produce beets, Swift & Co. is currently building a $2¼ million beef slaughtering facility at Clovis.

Sugarbeet production would stimulate the feed lot business in the eastern New Mexico-west Texas area which would help guarantee a constant flow of feed cattle to this plant. It is an established fact that the sugarbeet industry provides cheap and efficient byproducts helpful to produce ideal fattening cattle and sheep rations with grain and hay. Farmers can utilize these byproducts if a refinery is located anywhere in the general vicinity. Deaf Smith and surrounding Texas counties located east of our county now produce about 1,900 acres of beets which have to be transported by rail to the nearest refinery about 350 miles away. Naturally, this transportation cost

is high and besides it precludes the farmers' use of these important byproducts. Beet tops are an ideal feed for milk cows and definitely stimulate milk flow and butterfat production. This takes on added significance for our area because Safeway Stores, Inc., are now constructing a large fluid milk plant at Clovis.

As you can see, this can be worth a great deal to us in rounding out our agricultural economy, in fact our whole industrial development program built largely on the one natural resource we possess—agricultural and related products.

Gentlemen, in summation, we ask you first of all to view with favor a large enough increase in domestic production of sugar so as to aid the industry and the producer and the would-be producer. Secondly, to incorporate this increase in a long-term law to permit an opportunity to all concerned for long-range planning, and third, to report out your bill at the earliest possible time in order to prevent another temporary extension of the present act.

Mr. POAGE. Thank, you very much, Mr. Spencer. Are there any questions of Mr. Spencer? If not, we will be glad to hear from Mr. Davis now.

STATEMENT OF L. E. DAVIS, CURRY COUNTY SUGARBEET ASSOCIATION

Mr. DAVIS. Mr. Chairman, Members of the House Agriculture Committee, I appreciate the opportunity to present our views from New Mexico. I also appreciate very much your interest in our problems and your concern, as illustrated by holding this hearing.

I come before you, representing farmers from Curry County, N. Mex. Certainly members of this committee are well aware of the cost-price squeeze the farmer is confronted with. In eastern New Mexico, we find ourselves producing crops that are in surplus production. Through technology and better farming methods, we must increase our production per acre to stay in business. In turn this increases surplus. In our county the underground irrigation has been developed by individual farmers. A survey by our county extension agent has indicated there are 120 farmers interested in producing sugarbeets, on approximately 11,400 acres. We know there are more farmers interested now than when this survey was taken last year.

One acre of sugarbeets grown in Curry County would replace approximately two acres of wheat and grain sorghum.

As you well know, these crops are under allotments and confronted with a heavy surplus.

American farmers are no different from people of other professions. They want to produce a product needed by our Nation, and also improve their living. As history proves, sugar can be in short supply real quick in time of national emergency. The American farmer needs to produce more of our sugar for several reasons. However, I can think of no better reason than from a national security view.

If the U.S. farmers are encouraged to produce more of our sugar and stop growing surplus crops, not only could our Nation become more self-sufficient as to sugar needs, but we would see an increase in better and cheaper meat, milk and animal byproducts. In our county, we could certainly expect to see more of our grain used in livestock feeding with the byproducts of sugarbeets. This, in turn, would result in less grain going into surplus stockpiles.

A new cash crop would certainly help boost a sick agriculture economy in New Mexico. The USDA Marketing Service report entitled "Farm Income" indicates the net income in our State dropped 19 percent from 1959 to 1960. This is the highest in the Nation, which proves we are in desperate need of new cash crops.

In the past year the farmers in Curry County, N. Mex. have planted a number of test plots. From these trial plots the county agriculture agent in Curry County took samples and submitted them to the sugarmills for analysis. The report from the mills has proven that the Curry County farmers can produce heavy yields of quality beets with a high sugar content. Mr. Chairman, I ask your consent to have inserted into the record at this point a short table showing briefly the results of one of these tests.

Mr. POAGE. Without objection it will be inserted into the record.

Mr. DAVIS. Mr. Chairman, because of the many serious farm surplus problems with which we are faced, it is hard for our people to understand why the U.S. farmer shouldn't be allowed to produce a larger share of our sugar requirements. We thank you for the opportunity to present our views to your committee.

(The table follows:)

Sampling results for sugarbeets

Sampling date	Grower	Planting date	Width of row or bed	0.0 sugar content	0.00 moisture content	Nitrate rating	Approximate beet purity	Number of beets, 10-foot row or bed	Average weight, beets	Estimated yield per acre
			Inches	*Percent*	*Percent*		*Percent*		*Pounds*	*Tons*
Nov. 2, 1961	Davis	Mar. 27, 1961	40	17.3	76.17	3	85.3	11	2.85	20.4
Do	Hadley	Apr. 11, 1961	40	17.5	74.79	3	83.5	19	2.01	24.9
Do	do	Apr. 18, 1961	(1)	16.4	76.39	3	79.8	31	1.24	25.1
Do	Thompkins	Apr. 13, 1961	40	17.1	75.63	2	89.2	13	3.28	27.9
Do	Snyder	Mar. 27, 1961	40	17.2	75.10	3	85.8	14	2.51	22.9
Do	Rucker	Apr. 19, 1961	40	16.5	75.70	3	86.7	16	2.29	24.0
Do	Matlock	Apr. 11, 1961	40	12.4	79.46	+3	76.1	16	2.27	23.7
Do	Pattison	Apr. 18, 1961	40	13.8	78.40	+3	78.0	22	1.88	27.0
Do	Reid	May 1, 1961	40	10.7	80.06	+3	66.4	16	2.18	22.7

[1] Double row.

Mr. POAGE. Thank you very much, Mr. Davis. If there are no questions of Mr. Davis we will next hear from Mr. Fletcher.

STATEMENT OF ROSCO FLETCHER, NEW MEXICO FARM & LIVESTOCK BUREAU

Mr. FLETCHER. Mr. Chairman and members of the committee, I am Rosco Fletcher, a farmer. I raise cotton, alfalfa, and feed grains.

I appreciate the opportunity to present the views of the New Mexico Farm Bureau Sugarbeet Committee on proposed legislation affecting the Sugar Act. The New Mexico Farm & Livestock Bureau represents over 8,500 farm families, a high percentage of the total farm families in New Mexico. Many of these members voicing their concern to county and local farm bureau organizations, have petitioned the New Mexico Farm & Livestock Bureau to make every effort to secure sugar quotas for new areas such as ours. Our organization represents all the county sugarbeet committees in the State.

Since the Sugar Act expires June 30, 1962, we favor an extension of the act to run at least until January 1, 1968. We believe sugar legislation should have language that would give:

1. Immediate and substantial increases in basic quotas for domestic beet areas;

2. A substantial increase in the domestic share of increased consumption due to population growth;

3. A fair formula for reallocating to old and new growers domestic deficits and the quota that formerly went to other countries which are now considered unfriendly to the United States.

4. Sugar production in new areas such as ours to allow construction of a plant. Several sugar companies have indicated a real interest in establishing a plant in this area, provided this type legislation can be enacted.

There are approximately 425,000 acres under irrigation in southeast New Mexico. Growers have shown a desire to plant sufficient acreage to support a plant.

We in New Mexico are faced with a sick agriculture economy. Our basic economy is based on the production of wheat, feed grains and cotton. I am sure you are aware of the trouble the wheat and feed grain producers are in. You are also aware that the cotton industry is not as healthy as it might be due to the high cost of producing, price competition, foreign growths and manmade fibers.

A new cash crop, such as sugarbeets, would be a real boost to the agriculture economy in our State. New Mexico State University, our land grant institution, has conducted sugarbeet experimental work since the early 1920's. Also, numerous farmers around over the State had test plots in 1961. Results of this work leave no doubt that sugarbeets can be grown successfully in many areas of our State. They are readily adapted to New Mexico and produce high yields with a high sugar content. A report surveying sugarbeet growing possibilities in New Mexico, entitled "Sugar Beet Production Estimates Made by Staff Members of New Mexico State University Agriculture Experiment Station in Cooperation with Agricultural Research Services," has been released.

Quoting from this report:

The competitive position between sugarbeets and crops were examined for each irrigated area of the State considered a possible production area. At the costs and returns developed, it appears that sugarbeets would return an adequate net income. All irrigated areas in New Mexico show promise as sugarbeet producing areas.

Only a little over 800 acres of sugarbeets are allocated to New Mexico at present. These producers are marginal operators due to high transportation costs to the nearest plant at Rocky Ford, Colo.

Our proposal would:

1. Enable sugar companies to have a firm basis for building a new refinery in our area that would be assured of being needed over a long period of time;

2. Attain better rotation in conjunction with diversion of acreage from surplus crops grown in New Mexico, such as wheat, feed grains, corn, and grain sorgum.

3. Reduce the amount of sugar purchased from foreign nations and curb the outflow of gold from the United States.

4. Production of more of our own sugar would greatly improve our farm economy as well as having a stimulating effect on all economy in new sugar-producing areas.

5. Additional tax revenue would be available to Federal, State, and local governments brought about by increased domestic sugar production.

6. Production of sugarbeets would provide stimulation of local feeding of livestock. This would expand the usage of feed grains in local areas.

We believe that our Nation should undertake an immediate program to produce greater quantity of its own sugar. We ask that farmers in New Mexico be allowed to participate in such a program through the production of sugarbeets, a nonsurplus cash crop. We want this privilege without injuring our fellow farmers in other States who are now engaged in the industry. We do not desire to interfere or hinder the efforts of others in these established areas who wish to participate in the industry but have no present allotment. We believe this can be accomplished by allocating a portion of the former Cuban quota, plus the increased consumption, to domestic growers.

It has been a pleasure to appear before this committee. We appreciate the efforts of this committee in working toward a solution to this problem.

Mr. POAGE. Thank you very much, Mr. Fletcher. If there are no questions, we are very much obliged to you.

I have been furnished with this list by the staff, and it seems to me that these witnesses fall into groups which logically should be heard together. Surely the testimony of Mr. Mahan and the testimony of the witnesses from New Mexico are all part of the southwestern group. We have, also, groups from Oklahoma. Mr. Belcher was called out to the phone a moment ago. I was going to ask him to introduce Mr. Kerr, from Oklahoma, who is present and wants to testify on the same subject matter that the New Mexico people did.

We will be glad to hear from you now, Mr. Kerr.

Before you start, let the Chair say that there is a limitation which was set by the committee as to the time available. We have 19 individuals listed here this morning to testify. We will try to make this just as short as we can. The committee will not sit this afternoon. There is work to be done on the floor of the House.

We will be glad now to hear from you, Mr. Kerr.

STATEMENT OF ROBERT M. KERR, OKLAHOMA BEET GROWERS

Mr. KERR. Congressman Cooley, Vice Chairman Poage, and other distinguished members of the House Agriculture Committee; I am a farmer, Robert M. Kerr, coming before this committee on behalf of many other farmers and businessmen of southwest Oklahoma and four north central Texas counties. Our association, the Southwest Oklahoma Area Development Association, wishes to go on record as being in favor of expanded sugarbeet acreages and marketing quotas.

Certainly we have many, many people from our part of the country far more capable than I of bringing you our feelings on this matter; I don't know how I came to be spokesman for our group exactly. Even though not being related to U.S. Senator Robert S. Kerr, they might have thought that having the same name, if I could talk with even a small portion of his persuasiveness that I would be able to carry the ball for them. I hope they shall not be disappointed and it is with a feeling of honor that I come as their mouthpiece.

I am not going to even try to suggest to this committee the amount of sugar this country needs, how much of that should be produced here, or how much should be produced in foreign countries, or how much cane acreage and beet acreage there should or should not be. Instead, I would like to bring you a few thoughts on the matter and a few questions that remain unanswered in our minds.

When we first started investigating the possibilities of beets in our area, we had no idea of the entanglements we would become involved in. There is (1) the State Department and foreign relations; (2) the Agriculture Department and economics; and (3) just plain old American politics. And you can get involved in any one of these enough to make the average man throw up his hands and holler calf-rope. However, the American farmer is not an average man, and it just doesn't get tough enough or hot enough but what there will still be some of us in the fight.

Let's take the first area, foreign relations. How much worse short of a shooting war could our relations with Fidel get, and certainly, we were still buying sugar from them when Castro took over. I believe that proves one point that money can't buy friendship. Now a few years ago, when the average American child did something wrong, he got a spanking. Now I'm not particularly a proponent of capital punishment, but I believe that Cuba should be shown she can't walk out on the United States and back in again into our friendship whenever she wants to without being punished. I believe a way to do that would be to only give them say three-fourths of their original allocation back until over a period of say 5 years—as they prove their good intentions of being our ally. In the meantime, the American farmer could be producing this allotment and when Cuba

earned its original quota we would be able to still be producing here due to growth increase.

There is the Agriculture Department and economics then. We were offered this explanation. In 1948, the original sugar bill was written with the help and suggestions of our President that we should produce a certain amount of our sugar here and a certain amount on foreign soil. It was explained that foreign sugar was produced so much more cheaply and that with this ratio the price of sugar could be stabilized; therefore, not ever pricing it out of the housewife's pocketbook. That was a wonderful law in 1948, and it worked well for a number of years. However, everything becomes outdated and needs revising. Since 1948, wages have doubled, tripled, and in some cases have gone up as much as 5 or 6 times. Meanwhile, the price of sugar has only increased a few cents a pound. I contend that sugar is one of the best bargains in America today. I believe that our economy is such now that we could produce more sugar here—thereby enabling the American farmer to quit producing to add to surplus grain stockpiles and produce a needed commodity. This would help the farmer, it would help the taxpayer in the way of grain storage costs, and it would stop the flow somewhat of our gold into foreign countries. To me, this would be more economically sound than what we are now doing.

Third area and the American politics. May I first say to Cooley, that I admire and respect him very much, and I am sincere in saying that. I believe you are a man that stands up for your convictions, a man that knows what your people want and how to get that for them, a man that has done immeasurable good for we Americans during his years in the Halls of Congress. In our America, however, we see one State battle another over moving cotton allotments, we see States involved over their universities football teams, we see men pair off in a political race and rant and rave until you'd think they'd fight, but when the issue is settled, they work together. I know this committee is torn here between two factions.

May I compare our situation to a big family with a lot of boys. Those boys will fuss and fight with each other until you think they will maim each other for life, but let someone outside join in or say something about a member and then all the brothers are ready to fight for each other. I believe that is the way we are here in America. We can josh each other, kid each other, even get into bitter arguments over most any subject you can name, but then when there is work to be done, we line up shoulder to shoulder and move America forward.

We have then a law that has directed us to buy 40 percent of our sugar from foreign soil. What would happen if we had to buy 40 percent of our cotton, wheat, or other commodities from foreign countries? We believe that the American farmer is entitled to produce more of this sugar at home, and may I point out that we in southwestern Oklahoma have tried. We are about 250 miles from the nearest processing plants. We would have been willing to haul to these plants so we could be producing on our expensive but idled irrigated land. These plants told us they were operating at capacity and could take no more beets. We want in the sugarbeet business, and we want a

plant in our general area. We believe we can accomplish this, if the old law is changed to permit us.

I believe the old sugar law is outdated; I believe it needs rewriting to help the American people, and I believe that we will line up here now shoulder to shoulder and move America forward.

Thank you again, on behalf of southwest Oklahoma for this hearing and the time alloted to me and may God bless you.

Mr. POAGE. We appreciate your presentation.

Are there any questions?

If not, thank you very much.

I think we have a few witnesses from the State of Texas who desire to testify. We have with us Mr. J. W. Witherspoon, of Hereford, Tex., who has long been carrying on for the would-be producers of the Southwest.

We will be glad to hear from you now.

STATEMENT OF J. W. WITHERSPOON, HEREFORD, TEX., TEXAS SUGARBEET GROWERS ASSOCIATION

Mr. WITHERSPOON. Mr. Chairman and gentlemen, on May 18, 1961, we filed a statement in full concerning our views, and we do not want to take up the time of the committee this morning to give you any further statement, other than to file a short statement with the committee.

Mr. POAGE. Without objection, the statement will be filed and be made a part of the record at this point.

Mr. WITHERSPOON. Thank you.

(The statement of J. W. Witherspoon follows:)

STATEMENT OF JAMES W. WITHERSPOON FOR THE TEXAS SUGARBEET GROWERS ASSOCIATION

Mr. Chairman, the Texas Sugarbeet Growers Association have had the privilege of appearing before this committee on May 18, 1961. At that time approximately 40 organizations requested legislation by which 2 or more processing mills might be started. The citizenship of Texas—8 million people—are interested in Federal legislation which they believe would be good for America. They believe that to produce a larger share of any commodity consumed in this country, including sugar, is a right of the American people and that the result would make for a stronger America; the national economy would be improved in every important phase; and further, every foreign country would have greater respect for our Nation if we undertook to legislate for the benefit of our own citizens even if the foreign countries should not be by us permitted to enjoy such large percentage of the benefits of our sugar law.

We are mindful of all the various conflicting interests, all the complications necessarily connected with a Federal sugar law.

We fully appreciate the efforts of all interested segments of our national citizenry in working at a proposed compromise bill, amending and extending the act as introduced by Mr. Cooley on behalf of the administration on Monday, May 14, 1962. We must state to your committee (1) that we were sorely disappointed in the results reached by the administration, and (2) we are most appreciative of the work and efforts of the industry in bringing back into the suggested legislation at least the present status of the old growing beet producing areas, and also the very small increase of 8 percent of the growth factor for domestic cane and beetsugar expansion. The deficits hereafter to accumulate not to domestic producers but for foreign imports has proven, however, to be a big price to pay for such a small benefit and may well be expected to be of similar importance in the future.

We have stated before that we necessarily, but with confidence, place our case before this committee and likewise before this Congress. We believe our cause is right and just, and that Americans everywhere will, as has been demonstrated during our 3 years of endeavor, join our ranks. If our proposals are honest, just and right, the time will come when the State Department will not be permitted to dictate the farm program as related to the growing, producing, processing, and marketing of the sugar we consume. Although over 100,000 letters to the President have been recently written personally from Texas, New Mexico, and Oklahoma, alone, encouraging the administration to become interested in the legislation more favorable to domestic production, we nevertheless believe the stresses of Office of the President have not permitted an understanding of the underlying philosophy of the viewpoint of those of us who urge growth in domestic production. The feeling and logic and reasoning of the American citizens who are closer to the subject feel that this committee and Congress will grasp the concern and importance of expanding the domestic industry and the fine results of such a program for the city folks as well as for the rural areas. Never let it be said that a healthy agriculture will not benefit the city areas of America. The rural and urban areas are too closely tied together economically, politically, industrially, as well as from the standpoint of labor.

You may be interested in the fact that since we were here to visit you in early 1960 for legislation to give one mill in Texas, that now practically all of Texas is interested in this legislation. In addition, the States of Maine, New York, Missouri, Alabama, Illinois, Indiana, Arizona, Arkansas, New Mexico, Oklahoma, and others, all without processing mills, as well as Kansas, Nebraska, Minnesota, California, Michigan, and Washington, all desiring additional processing mills, and Florida and Louisiana desiring quotas for newly constructed refineries, are all insisting upon the right to produce sugar. You should know that it is not just the farmers in these States, but the businessmen, the bankers, real estate, insurance, grocerymen, and professional men are serious in the same manner.

Mr. Kemp on Tuesday did a masterful job in presenting the combined views of the refineries, the processors, the cane and the beet producers as related to the bill proposed by the administration. Most interesting was his statement that in response to various questions of members of the committee that the beet industry was outtraded in some respects by the importers and cane refineries insofar as some of the thinking of the beet producers and would-be producers are concerned, but that he was committed to the compromise bill with the exception he forcefully put forth. His statements in response to questions unquestionably places the interpretation on the 50,000 tons to be set aside each year from the 63 percent of the growth factor, as 150,000 tons annually as being for the new-grower areas. We urge that this should not be left in such language as to put the Secretary on the spot, so to speak, any more than necessary; and certainly the bill should speak plainly the language that has been used by Mr. Poage and other members of this committee, and as the industry representatives have led the many new-growing areas to believe that this 50,000 tons annually is for new mill construction in new-growing areas. Of course, 1 new mill per year for 5 years will not meet the demands of south, west, and north Texas, New Mexico, Arizona, Oklahoma, Illinois, Indiana, Missouri, Alabama, Arkansas, Maine, and New York, but surely 5 mills provided for 13 States should not be left in such manner so that still others can make a claim thereto; and, further, the terms of such legislation should not be left so indefinite as to say, as it now does, that the Secretary may set aside "not to exceed 50,000 tons," but should be couched so as to provide certainly and definitely for the new mill each year a quota of 50,000 tons.

Although we appreciate the sacrifices, the work and effort of all concerned in reaching the compromises with the administration, we are compelled to call to your attention the work which your new-growing areas have put forth in trying desperately to contribute and to become a part of a great free enterprise of farming, producing, processing, and entering into the marketing of a commodity which in the past has only been 55 percent produced by the citizens of the consuming country. The new-growing areas are willing to furnish the capital, to take the risks and do what a free people in a government by, for, and of the people believe they have a right to do. They are most disappointed up to this time. They appeal to you to help them. They have the assured feeling that the American consumer will approve the system permitting domestic

production, and their fellow citizens, the right to grow and produce and put their lands to use, pay their taxes and grow with the country.

Therefore we submit to you our cause. Mr. Chairman, we appreciate the consideration you and your committee have given us. We know that you are capable and able to guide a bill through this Congress, in which bill the American people—all consumers—are interested. Their strong hopes are that you will provide in this legislation an orderly expansion for new-growing areas, a small portion of the growth factor of not less than 50,000 tons per year, as is the sense, understanding, explanation, and meaning of the proposed act. More people than you can now anticipate, throughout the whole country, will be most appreciative.

Mr. POAGE. We will next hear from Mr. Benefield.

Mr. WITHERSPOON. He has the same position and therefore will not file a separate statement.

Mr. POAGE. I think that completes the southwestern area. Is there anyone else who desires to speak for that area?

If not, we will call the next area. Mr. Breeding of Kansas would like to present one of his constituents. We will be glad to have you do so now.

Mr. BREEDING. Thanks, Mr. Chairman. I have three constituents.

Mr. POAGE. We will be glad to have all three of them.

Mr. BREEDING. I wanted also to introduce these gentlemen to the committee: Mr. Harold Purdy of the Southwest Kansas Sugarbeet Council, Mr. Harry L. Lightcap, of the Southwest Irrigation Association, and Mr. H. J. Barr, who is with the High Plains Beet Growers Association.

I do not know how they want to present their testimony, Mr. Chairman. I would like at this time to introduce Mr. Purdy and to ask them to go ahead with their statements.

Mr. PURDY. First, Mr. Chairman, I would like to enter two statements that substantiate my oral statement, if I may.

Mr. POAGE. Without objection they will be inserted into the record at this point.

(The statements of Southwest Kansas Sugarbeet Council and Kansas State University follow:)

STATEMENT OF SOUTHWEST KANSAS SUGARBEET COUNCIL

We represent the Southwest Kansas Sugarbeet Council. This council is composed of the Southwest Kansas Irrigation Association, the Pawnee Valley Irrigation Association, High Plains Beet Growers Association, and Ark Valley Beet Growers Association. This council represents 20 counties in the southwest area of the State of Kansas. These 20 counties have a total area of approximately 10 million acres of farmland. At the present time there are 2,910 irrigation wells supplying water for 822,000 acres of land under irrigation.

This area has a large underground supply of water. Geological surveys and logs of gas wells and water wells drilled in the area show the water bearing sands to be from 200 to 500 feet thick with an average of about 300 to 350 feet over the area. Again from the Geological Survey there has been no serious lowering of the water level in southwestern Kansas. With this vast supply of water and great numbers of underdeveloped acres with the prospect of growing paying crops, it would be no trouble or effort to put another 1-million acres under irrigation. The U.S. Department of Interior and Kansas State Geological Survey anticipate the supply of water on the uplands will last several decades and along the several river valleys it will last indefinitely. So here we have an area along with other new areas in the United States that can and would grow sugarbeets to add to our national economy and our national defense effort if only given the opportunity.

We feel that more sugar should be produced in the United States so that in the event of an emergency, as a matter of national defense, we would have a

larger supply of sugar produced in the continental United States and not be dependent on foreign sources.

We as new growers of sugarbeets do not want to gain at the expense of the present growers, but want to get into the business with a quota over and above the present grower's quota. To do this the law will have to be changed.

If Cuba is not to be dependable source of approximately one-third of our domestic requirements, in what direction shall we look for these requirements?

We think it should be taken care of by our own domestic growers. More than 3 million tons of sugar have been taken away from a Communist country and as the law reads, this must be purchased from foreign countries. American farmers have not been given a chance to participate in supplying this amount of sugar to the U.S. market.

At this point, I would like to read to the committee a short article which appeared in the April 10, 1961 U.S. Beet Sugar Industry Newsletter, entitled "Expert Sees Russ Sugar War." I quote:

"New York City—Threat of a Russian trade war, using Communist sugar surpluses as a weapon, was raised as a strong possibility here by Sir Edmund Bacon, chairman of the British Sugar Corp., Ltd., of London, in a speech before the Sugar Club.

"Sir Edmund said a Russian 7-year plan to increase sugar production, running from 1958 to 1965, calls for 95 new beet sugar factories of the most modern design. Twenty have already been built, he said, and the remainder are under construction or will be built before the end of the period.

"Although per capita sugar consumption is rising in Russia, despite consumer prices that are 'high by United States and United Kingdom standards,' he said, 'the Soviet and its satellites also hope to have a considerable surplus for export.' He asked:

" 'What better medium of expanding their supremacy than in a trade war at cut prices? What better commodity than sugar on which to make a start—if in fact they have not made one, with East German "whites" quoted on the London market at less than "raws".' "

If Russia thinks it is important to expand and improve their domestic sugar production, we wonder if it would be wise that urgent steps be taken to expand our own domestic beet sugar production.

There have been a number of proposals made in the Congress to increase the domestic share of the sugar quota on which we urge your favorable consideration.

Beets have contributed largely to the success of many irrigation projects in the West. According to the late Dr. Elwood Mead, Commissioner of Reclamation in the U.S. Department of Interior, "the sugarbeet industry is the backbone of those Federal reclamation projects where the crop is grown." He described sugarbeets as "the one crop that conrtibutes more than anything else to a rounded-out, complete agricultural program, gives winter and summer employment, enables the farmer to make the largest and best use of the surrounding grazing land, largest and best use of the alfalfa that is grown, and gives in an unusual measure, a continuous employment for the family on the farms, with more stable income than anything else."

Farmers in our area of southwestern Kansas have financed their own irrigation wells, mostly from insurance company loans. These loans must be paid back. These private individual farmers should have a chance to make their irrigation projects as stable as possible.

Although our area is primarily a new grower, we must not lose sight of the fact that there are 9,000 acres of sugarbeets grown there which have to be shipped to our neighbor State for processing. This shows that the soil, water, and climate are such that sugarbeets can be successfully raised in our area. (See attached letters from Andrew B. Erhart, superintendent, Garden City Branch, Kansas Agricultural Experiment Station.) The past number of years many new growers have been wanting to plant beets, but were unable to find a processing plant to handle them.

KANSAS STATE UNIVERSITY,
KANSAS AGRICULTURAL EXPERIMENT STATION,
Garden City, Kans., May 10, 1961.

To: Chairman, Southwest Kansas Sugar Beet Council, Box 506, Garden City, Kans.
From: Andrew B. Erhart, superintendent, Garden City Experiment Station.
Subject: Sugarbeets in southwestern Kansas.

Sugarbeets are well adapted to irrigated farms in this area. They have been grown here for many years and our farmers are familiar with their production.

Our soils are deep, of medium texture, and ideal for the production of this crop. Sugarbeets fit into rotations with other adapted crops and, because of the early planting date, extend the productive workload of farm labor.

The byproducts, such as tops from the field, beet pulp, and molasses from the factory, are excellent livestock feeds. Our expanding livestock industry can make efficient use of these byproducts assuring the consumer of a stable, adequate supply of meat and dairy products.

This area has a dependable underground water supply and abundant natural gas for power. Our farmers are progressive and receptive to modern methods.

We believe that a considerable increase in our sugarbeet acreage and the establishment of processing facilities in this area would be in the public interest and are justified by natural and human resources.

Sincerely,

ANDREW B. ERHART, *Superintendent.*

STATEMENT OF HAROLD PURDY, DEERFIELD, KANS.

Mr. PURDY. Mr. Chairman and members of the Agriculture Committee, it is a privilege to again appear before your committee to testify for additional sugar production within the continental United States.

I am Harold Purdy, Deerfield, Kans. We of Southwest Kansas Sugar Beet Council represent some 2,500 farmers in a large irrigation area in southwestern Kansas, who can and would grow 40,000 to 50,000 acres of sugarbeets, each and every year, if given the opportunity. Part of this area has raised up to 10,000 acres of sugarbeets since 1906.

Since 1954 the acres of land under irrigation have increased from around 200,000 acres to in excess of 850,000 acres now. This land is watered by underground wells that average around 1,400 gallons per minute per well which is large enough to handle the water requirements of a crop such as sugarbeets.

This expansion has come about by American citizens who, having faith in their country and Government, have with the help of agencies of the Department of Agriculture, invested their own capital and time to develop these resources.

After all this expense and effort by the Department of Agriculture to help develop an area of intense irrigation farming, it seems strange to many people at home that with the opportunity at hand to produce more sugarbeets for sugar here in the continental United States, we are not permitted to do so. Instead we must continue to grow crops that are supposedly in surplus and get paid to take land out of production when we could be growing a nonsurplus crop of sugar, which is vital to our national security, on this land taken out of production.

When the sugar law was enacted in 1934, it was intended to do three things:

(1) Make possible as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff;

(2) To assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices, and

(3) Permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

Surely if it was true in 1934 as a matter of national security to produce a substantial part of our sugar requirements within the continental United States, to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices, should it not be true today, if not more so?

Yet it appears to us that most emphasis is being placed on foreign trade with nations who cannot be depended upon to supply us with a stable and adequate supply of sugar for the years ahead.

Is the 3,545,000 tons of sugar that is produced in the continental United States a substantial part of our sugar needs in line with the national security objective of the Sugar Act? We think it is not enough and that more sugar should be produced here.

In the last war we called on Cuba to supply about 1 million tons of extra sugar above their quota to supply your emergency needs. What foreign countries can we depend upon to supply our needs in the next emergency should one ever occur? We need to build a source of supply of sugar here in the United States that we can absolutely depend upon.

Also during the last war, our country called for a short time on the sugarbeet industry for additional production. With the present factories producing at capacity, how can we count on them to supply any large increase in case the need should raise? Some provision should be made now so that the industry can prepare extra processing facilities should the industry be called upon for increased production. Can we wait until after the emergency exists to start construction of plants?

According to Commodity and Facility Summary for Emergency Records—July 18, 1961—in regard to sugar, 75 percent of the cane-refining capacity is at locations highly vulnerable to nuclear attack. They are in or near Boston, New York, Philadelphia, Baltimore, San Francisco, and New Orleans. We are not referring to this with a pessimistic view any more than biulding fallout shelters is a pessimistic trend. It is just a fact that exists.

We believe that these are all facts that should be considered as you are rewriting the Sugar Act. Although more should be done, a small step in the direction we are suggesting would be to give 100 percent of the growth factor to mainland cane and sugarbeet growers, divided 25 percent to mainland cane and 75 percent to beets, with a setaside each year for new beet growers of enough acres to produce 85,000 tons out of this growth factor.

We concur with groups from other States who think that at least the growth factor should go to mainland growers.

Mr. Chairman, this is what we recommend.

I thank you for this opportunity to be heard before your committee and I again urge your serious consideration of proposals to grant the American farmer a greater share of the American sugar market.

Mr. POAGE. Thank you.

We will now hear from Mr. Lightcap.

STATEMENT OF HARRY L. LIGHTCAP, WESTERN KANSAS

Mr. LIGHTCAP. Mr. Chairman and members of the committee, first I wish to enter the sugar report of No. 118, published by the Department of Agriculture in February 1962.

I wish that that would be made a part of the files of the committee.

Mr. POAGE. It will be put in the files of the committee.

(The document referred to will be found in the files of the committee.)

Mr. LIGHTCAP. I am Harry L. Lightcap, representing new growers and new growing areas in western Kansas.

I appreciate the opportunity to present my views on amendments to the Sugar Act which expires June 30, 1962, and with particular reference to aiding domestic producers of sugarcane and sugarbeets and with emphasis on new growers and new areas.

Now the question our people in Kansas want to ask is: "Where are we going to get our sugar supplies during the next war, or any great national emergency?" During the last war Cuba was supplying us with 3 million tons, which was their quota, we called on them for another million tons, and it was furnished. Cuba being only 90 miles from our shore, yet a sugar rationing was put on immediately, and you each remember the shortage. But now, no Cuba for these supplies. Our domestic production of 4,400,000 tons of which 3,500,000 would be produced on continental United States would be the extent of our sugar, and with 75 percent of our sugar refineries being vulnerable to attacks, this amount could be cut down considerably.

At this time I wish to refer to an address by Lawrence Myers, Director of the Sugar Division, Agriculture Stabilization and Conservation Service, U.S. Department of Agriculture, before the Sugar Club, New York City, Thursday, February 15, 1962, which is printed in Sugar Reports No. 118, dated February 1962 by U.S. Department of Agriculture, Washington, D.C.

From page 9:

In the postwar period under the Sugar Act of 1948, emphasis was placed upon the dependability of Cuban supplies. Pre-Castro Cuba had stood beside the United States and had supplied us sugar at reasonable prices during the two World Wars and was destined to do so during the period of fighting in Korea and during the Hungarian-Suez crisis. It was recognized, therefore, that the quota premium at that time not only constituted foreign aid but also provided supply insurance. Cuba, producing 6 million tons of sugar annually and located 90 miles off our shore, had the ability and willingness necessary to guarantee supplies for the American market. No other country has that ability. Alternative suppliers have small reserves, are located far away or both.

From page 10:

Our sugar program has worked. Domestic producers have enjoyed the benefits of price stability and domestic consumers have enjoyed adequate and stable supplies. Not surprisingly, therefore, it is asked, "Why rock the boat?" The answer is Mr. Fidel Castro. He and his fellow Communists not merely rocked the boat, they have sunk it. Almost immediately after Castro came to power in January 1959, Cuba started to shift its sugar economy into Communist orbit. This country reacted slowly. However, it finally recognized that Cuba was no longer a dependable source of supply for sugar and in July 1960, provided that supplies should come from other sources. The United States must readjust its thinking on the entire sugar program to the realities of today.

From page 11:

As sugar people, you members of the Sugar Club have only incidental interests in the cost and foreign relations aspects of the sugar program. Therefore let us examine the matter now from the more narrow standpoint of its effects on our sugar supplies and sugar trade. While the United States obtained 3 million tons of sugar annually from Cuba, and could obtain practically unlimited additional quantities when needed, it was not vital whether some of our other suppliers marketed their sugar early or late, or whether they filled their quotas in whole or in part. With Cuba in the Communists' hands, this country has lost its ever dependable sugar bowl and the governor on its sugar market. We must

now go to smaller suppliers frequently in far away places. Sugar could be shipped from Cuba to New Orleans over a weekend or to north of Hatteras refiners in 4 to 6 days. An important part of our substitute supplies last year were on the water 4 to 6 weeks. In fact, some of the sugar reallocated on June 1 did not start to arrive until October.

From page 12:

We must now attempt to anticipate our supply requirements months in advance. However, lead time is not all that we need. Who among you forecast the outbreak of fighting in Korea or the Hungarian revolt 4 months in advance? Each brought on a wave of sugar buying. Who is going to tell us the exact level of demand 4 months from now and 4 months from tomorrow and from tomorrow's tomorrow? Perhaps, as has been suggested, you refiners will be prepared to build huge warehouses and carry reserve supplies to meet unforseen upsurges in demand. Either we must carry huge stocks of sugar in this country to meet such requirements or we must have flexibility in obtaining supplies from foreign countries. The third choice is to endanger our supplies. Today our important supplies are divided into a number of watertight compartments. This is necessary if the present quota system is to be effective in supporting prices, but it involves risks to long and thin supply lines.

From page 14:

In the past year we have had a large measure of good luck and most of our foreign suppliers have shown the desire to cooperate. Even so, receipts tended to be inadequate in the early summer and threatened to become excessive at the end of the year. Worse yet, the market was diversely affected for a number of weeks by assurances of sugar that did not exist and that could not be supplied.

I think that experience of last summer is an excellent example of what the sugar industry must anticipate in the future if the sugar program remains unchanged. Inevitably, some countries will be excessively optimistic about their abilities to supply. Inevitably, sugar from some distant sources will fail to arrive when it is most needed. The authority is not in our hands to control the monsoons or storms at sea, to prevent port congestion or labor difficulties, or to determine foreign decontrol actions or prevent internal strife in countries abroad. Either we must allow for shortfalls and poorly timed arrivals by higher quota figures, which may depress prices, or we must face the danger of shortages. Twice during the past month foreign developments have placed our sugar supplies in jeopardy. The more dramatic time was when the market feared that the short-lived coup d'etat in the Dominican Republic might cause us to lose Dominican supplies. Equally important, however, was the slow selling of Philippine sugar that preceded devaluation in that country. Such difficulties are inevitable when we attempt to give to each supplier and potential supplier throughout the world a fragment of a quota designed to meter sugar into the United States from the mountainous supplies of Cuba.

Now, Mr. Chairman, you can see the situation we are in for the future. Mr. Lawrence Myers knows the truth of the Sugar Act, and from these paragraphs I have quoted to you from his speech, he is painting a very dark picture. We are at peace in the world at present and the shipping lanes are all open.

In case of another war, a few submarines would block this shipping, and not one shipload of sugar would arrive from foreign soil.

As our legislative bodies have the destiny of our country in their hands, let them not overlook the fact that our own economy and security measures should come first by all means.

We reluctantly agree with the bill H.R. 11730 except there is not sugar enough allowed for new areas and growers.

Mr. Chairman, it is necessary for the Congress to assume the responsibility of writing a sound long-term Sugar Act, one that would provide a substantial growth of sugarbeets in the State of Kansas, along with other States and areas, that are desiring to provide sugar.

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And this can only be done by allowing 100 percent of the growth factor instead of only 63 percent to domestic growers. That is what we endorse at this time to give new growing areas 85,000 tons of sugar each year.

I thank you for allowing me to appear before your committee.

Mr. POAGE. Thank you very much, Mr. Lightcap.

We will now hear from Mr. Barr.

STATEMENT OF H. J. BARR, BOX 251, LEOTI, KANS.

Mr. BARR. Mr. Chairman, and members of the committee, I concur with what Mr. Purdy and Mr. Lightcap have said. I think that these statements are sufficient for Kansas.

Mr. POAGE. You can extend your remarks in the record, if you desire to do so.

Mr. DOLE. I might say first of all to Mr. Breeding that I am always happy to welcome his constituents to the committee.

I might clarify some things by asking two or three questions.

I wish you would tell the number of acres of sugarbeets now produced in Kansas.

Mr. BARR. We have about a total of 15,000 acres in Kansas at this time.

Mr. DOLE. Where is your closest processing plant?

Mr. BARR. The closest processing plants are 150 miles away. They are in Colorado. We have no plants in Kansas at this time.

Mr. DOLE. And has there been any indication that they might build a plant there? You get your income from sugar beets and I believe that I am safe in saying that another plant might increase the income of a lot of the farmers in that area, would it not?

Mr. BARR. As Mr. Purdy said, we could easily double this acreage to maybe 40,000 to 50,000 acres. This has been more or less planned.

Mr. DOLE. Mr. Purdy and Mr. Lightcap might desire to again comment on the growth factors. In H.R. 11730, it is 63 percent. You might feel that is too small. Do you have any other comment on that?

Mr. PURDY. We feel that H.R. 11730 is more of a compromise measure. We feel that the sugar beet people compromised too much in this measure. We know it was a tough job and are not condemning anyone that made the compromise, but we feel that in a matter of our national security, we need at least to get the growth factor so that we can start stabilizing our sugar supply.

Mr. LIGHTCAP. I might add a further comment on that. We contacted engineering concerns about a plant, and found that the most desirable and economical-sized plant to build in this day and age is for 40,000 acres. If you get it for 20,000 acres, it costs you about as much money and you cannot have as much plant. So we learned that 40,000 acres is the desired size from an engineering standpoint.

Mr. DOLE. Thank you, Mr. Lightcap and Mr. Purdy.

Mr. POAGE. Mr. Hoeven.

Mr. HOEVEN. May I say that I am somewhat intrigued by the patriotic tone of your presentation. You express a willingness, in case of an emergency, to produce sugar that may be needed in the United States.

I call attention to the fact that in the last war, Cuba was asked to supply about 1 million tons of extra sugar, above their quota, in order to supply our emergency needs at that time.

And you so well pointed out that due to the lack of processing facilities, they could not meet the need.

I am heartily in accord with your proposal to give more recognition to the sugarbeet areas. I certainly want to protect American industry and have no objection to putting some land into the production of sugarbeets rather than put it into corn and feed grains, wheat, and other surplus commodities.

If the sugarbeet industry gets additional consideration, what are you going to do in case of another war emergency—are you going to meet the call to produce all of the sugar we need, or are you going to take advantage of perhaps $3 wheat and forget all about raising sugarbeets?

Mr. PURDY. I believe that in the last war they were called upon to produce sugar the very first year the war opened, and I think that the acreage jumped from about 690,000 acres in beets in 1941 to 1,050,000 acres of beets in 1942. And since we had Cuba as a reliable source of sugar, our farmers were asked to cut in 1943, and they were cut back to an acreage of—I do not quite remember what the acreage figure was, but it was quite a cut, and they were asked to produce these other crops which were more in need.

Mr. HOEVEN. I am just wondering how attractive high-price wheat would be, in case of an emergency.

Mr. BARR. Sir, I believe that wheat is grown on a different type of farm than sugarbeets. Wheat is more of a dry land crop than sugarbeets. Sugarbeets in our area are grown strictly on irrigated land and the income from sugarbeets is better than from wheat. As to $3 wheat, I cannot imagine that.

Mr. PURDY. May I comment on that same statement?

As I stated in our statement, our area has greatly changed since 1954 to an irrigation area. This irrigation area needs a crop like sugarbeets to maintain this large irrigation economy that even $3 wheat will not do. I believe that they would have a good supply of beets in that area on account of the water facilities that have been developed.

Mr. HOEVEN. If there is another war emergency, I hope we can produce the sugar we need and also the wheat that we need, and keep it all in proper balance.

Mr. PURDY. I believe the last time that they did quite remarkably well in shifting back and forth what the Government asked them to do.

Mr. POAGE. If there are no further questions, we thank you very much, gentlemen.

I should like again to call the committee's attention to the fact that we have a long list of witnesses, and we have only about 45 minutes left. I do not want to cut anybody off. We are going to have to move as expeditiously as we can.

I now want to introduce our colleague, Mrs. May, who will present the group from the Columbia River Basin.

Mrs. MAY. Thank you very much.

I have two separate groups to introduce.

I would like to introduce the two spokesmen for the Columbia Basin Sugar Beet Growers Association, from the State of Washington. The first witness will be Mr. Earl S. Gregory of the Sugar Beet Association, he is also chairman of the National Reclamation Association, the Sugar Beet Legislation Committee.

Also testifying will be Mr. S. E. Flanagan, president of the Columbia Basin Beet Growers Association and a member of the Washington State Legislature.

We will now hear their testimony and then I will introduce the other group.

STATEMENT OF EARL S. GREGORY, CHAIRMAN, NATIONAL RECLAMATION ASSOCIATION, SUGARBEET LEGISLATION COMMITTEE, AND SECRETARY-TREASURER, COLUMBIA BASIN SUGAR BEET GROWERS ASSOCIATION

Mr. GREGORY. Mr. Chairman and members of the committee, I would first of all like to make this statement, inviting all of the committee and the audience to our city of Seattle, Wash., this year, where we have the world's fair going strong. And I guarantee that all of you will see things there you have never seen before and that, perhaps, you will never see again. It is a fabulous fair.

I am Earl S. Gregory and I live at Quincy, Wash., a small town in north central Washington. More specifically, Quincy, is located in the northwest corner of the gigantic and fabulous Columbia Basin project. This USBR project is irrigated with water which is lifted by hugh 65,000-horsepower pumps from Lake Roosevelt—the 150-mile-long lake backed into Canada by the eighth wonder of the world, Grand Coulee Dam.

Although I am registered to appear before this committee as a representative of the Columbia Basin Sugar Beet Growers Association, I would rather have that assignment left in the hands of our association president, S. E. (Sid) Flanagan, who is scheduled to testify before you today. My statement and remarks will instead be in my capacity as chairman of the National Reclamation Association, Sugarbeet Legislation Committee, a committee appointed 3 years ago by the president of the National Reclamation Association who deemed the sugarbeet question one of considerable concern to the farmers and reclamationists of the 17 Western States.

The National Reclamation Association has passed sugarbeet resolutions at each of their last two convention meetings, the last of which was in Billings, Mont., on October 16, 17, and 18, 1961, and included herewith in this statement.

RESOLUTION 23—SUGARBEET LEGISLATION

Whereas, the basic purpose of the Federal Sugar Act is:

(1) To make it possible as a matter of national security and economic welfare to produce a favorable portion of our sugar requirements within the continental United States.

(2) To assure U.S. consumers of a steady and stable supply of sugar at reasonable prices, and,

(3) To encourage trade with friendly foreign countries, and,

Whereas, the unstable world situation places us in an extreme state of jeopardy with respect to adequate sugar supply in the event of armed conflict; and

Whereas, the sugarbeet potential of the States is far beyond present production and marketing quotas, and

Whereas, a strong desire to grow more beets has been made known by farmers throughout the beet producing States; and

Whereas, to bring about sugarbeet industry expansion it is necessary to have a long term extension of the Sugar Act as it applies to U.S. interest: Now, therefore, be it

Resolved by the National Reclamation Association, That the Congress should, prior to the expiration of the Sugar Act on June 30, 1962, extend it at least through the year 1966 with the following provisions or amendments.

(1) Basic sugarbeet marketing quotas to processors under the newly extended sugar act be set at a figure of not less than 2,600,000 tons.

(2) One hundred percent of the annual increase in consumption be prorated among domestic producers,

(3) That at least 60 percent of this annual growth production be earmarked for expansion for the benefit of new growers and new areas: Be it further

Resolved, That:

(1) The President and Secretary of Agriculture be urged to make recommendations to Congress early in 1962 for long-term sugar legislation which will give a larger percentage of the U.S. market to American farmers, and for legislation which will permit and encourage sugar companies to build new mills for the benefit of new growers and new areas.

(2) The processing companies be assured of continued new plant operation by setting aside a substantial portion of the former Cuban allotment to be used to give to companies who will build new plants.

For the past several months, the sugar industry group has held countless meetings in an all-out effort to fully explore the many problems of the various segments of domestic producers of sugar. It is heartening, indeed, to be able to say that all segments of the industry have agreed on a program that could be set forth in a 5-year Sugar Act which would allow for reasonable and steady expansion of our sugar beet production at no expense to domestic cane growers or foreign producers of sugar. It is most encouraging, too, to learn that the views of our administration are very little different from those of the industry and that complete agreement is expected shortly on legislation which will enable Congress to act on this matter in a manner satisfactory to the American farmer and in time to meet the expiration date of the present act.

It has been of concern to the National Reclamation Association that ways and means through appropriate legislation should be provided whereby the American farmer could enjoy the opportunity to produce more of the sugar needs of our country. It has also been of concern to the leaders of NRA that importing of sugar from foreign countries has increased greatly over the past several years while U.S. sugarbeet production has increased little by comparison.

I cite a report released on Tuesday of this week by the USDA that points out other sugar producing nations have increased their shipments to the United States tenfold since the door was slammed on Cuban sugar in mid-1960. In 1959, the report showed, foreign countries other than Cuba and the Philippines furnished only 3 percent of the Nation's total sugar needs. By 1961, this had increased to 30 percent. The entire Cuban quota, in excess of 3 million tons, was prorated amongst the foreign countries which include Mexico, the Dominican Republic, Peru, Philippines, Nicaragua, Haiti, Brazil, British West Indies, British Guiana, India, Formosa, Australia, French West Indies, and Colombia. The beet sugar share, however, increased only 3 percent during this period, from 24 percent to 27 percent.

In view of our general chaotic Agricultural condition of farm surpluses, and declining net farm income, it seems almost criminal that American farmers are denied the opportunity to produce more of this nonsurplus commodity. Not only is this crop nonsurplus, it is nonsupported. Although the U.S. Government does make a payment to the farmer for each ton of beets he grows, this cannot be considered a burden upon the American taxpayer. The U.S. Government assesses an excise tax, or processing tax, against each pound of sugar sold in the United States and it is from this source of revenue that the United States pays the sugarbeet producer his government payment. It is well known by those familiar with sugar sales that if this tax were not levied by the government, the sugar producer would have that much higher net return for the sugar he produced. I believe that statistics would bear out that the Treasury of the United States has taken in more than they have paid out from this process of tax against sugar sales, including all administrative costs of the entire program.

As chairman of the National Reclamation Association Sugar Legislation Committee, and speaking in behalf of all the many farmers of the western reclamation States who would like, and need, the opportunity to grow more of our sugar needs, I fully endorse the conclusions reached by our sugar industry group. Their proposal that domestic sugar producers be allotted 60 percent of the consumptive requirements of our country, which is now determined to be 9,700,000 tons, and that we also share in 64 percent of our annual increase in consumption, is fair and reasonable.

This still allows for considerable increase to foreign countries over that which they had a few years back, and will allow them to increase their shipments to us in the future.

We of the National Reclamation Association also enthusiastically endorse the proposition that up to 50,000 tons of refined sugar be set aside each year for new factory construction or expansion of factories now in existence.

This alone is the only means whereby new areas and new growers, such as the Columbia Basin project of the State of Washington, can get into the sugarbeet producing business. I might add, here, that one of the major processors of beet sugar in the U.S. was forced to give up their building plans in the State of Washington due to our failure in past years to pass an adequate, long-time sugar act. This decision was reached by them just 6 months ago after maintaining a foot-in-the-door position in the Columbia Basin project for the past 9 years, waiting and hoping for a permanent sugar act that would provide the necessary stability for sugarbeet production and an orderly expansion.

In the domestic beet sugar area the vocal demand from many of the 25 continental States that do now grow sugarbeets is increasing daily. The pleas of the farmers in States not now growing beets are added to those of nonbeet producers in many States where beets are already grown. Such pressures to grow this deficit crop are bound to increase with further restrictions on the production of surplus crops. The provision in the legislative proposal to set-aside a special reserve of 50,000 tons per year for expansion of the industry is in recognition of these pressures; this provision is designed to permit a modest, orderly expansion of the beet sugar industry without unreasonably penalizing

established sugarbeet farmers who already have heavy investments in specialized sugarbeet equipment.

It appears only reasonable to assume that increased production of domestic sugar by American farmers would help the sagging agricultural economy in certain areas, take up the slack in the reduction of crop production acreage, stimulate the Nation's industrial climb, and provide a dependable supply of sugar should a national emergency arise. We of the NRA are most hopeful that full agreement on legislation can be reached immediately by Members of the House of Representatives and Members of the Senate so that a long-term sugar act can be enacted that fully provides for the needs of our American farmer.

Mr. POAGE. Now, Mr. Flanagan.

STATEMENT OF SID FLANAGAN, PRESIDENT, COLUMBIA BASIN BEET GROWERS ASSOCIATION, AND STATE REPRESENTATIVE FROM GRANT AND KITTITAS COUNTIES IN WASHINGTON

Mr. FLANAGAN. Mr. Chairman and members of the committee: My name is Sid Flanagan. I am president of the Columbia Basin Beet Growers Association and State Representative from Grant and Kittitas Counties in Washington.

I appreciate the opportunity of being able to come back here again and express my views and the views of the people in our area on this subject of sugar legislation.

I want to leave out part of my written testimony in the interest of brevity, and then at the end, I would like to add a little oral material on a subject that has come to my attention since I arrived here.

I am going to limit my testimony in a large degree to the effect that this proposed legislation on new irrigation projects in the West has, because I am representing beet growers and potential beet growers in one of the largest and fastest developing of such projects. The removal of acreage controls on beets in 1961 helped contribute a great deal to this fast development.

At the present time, the taxpayers of the United States have approximately $550 per acre invested in the construction of the Columbia Basin project, on the basis of the land now receiving water. Of this amount, the water users have agreed to repay by contract $85.00 per acre, which leaves $465.00 per acre which has to be borne by the taxpayers or the power revenues after power construction has been paid. However, if you go ahead and figure interest on this money, on the $85.00 figure, and that is what the American taxpayer has to pay, about 4 percent interest on long-term money, why the annual repayment that the farmers are making won't even pay the interest on the money. So, actually, we are repaying nothing from that viewpoint.

How can you justify this large subsidy by the taxpayers to these new irrigation projects? I think the way you justify it and the way I justify it is this. By making water available to this arid land which was formerly almost valueless, you enable farmers to come in and develop a new natural resource for this Nation. Millions and millions of dollars of new wealth is created, and millions of dollars of new property tax base valuation is created. These property taxes build many new schools and pay many new teachers. Millions and millions

of dollars in new sales and other transaction tax revenue is created for the State, and millions of dollars of new Federal income tax revenue is created for the Federal Government. Millions of dollars worth of new business enterprises begin and thousands of new jobs are created.

This new tax base and new business enterprise is in my opinion, the only justification for this large subsidy by the taxpayers.

Now, members of the committee, if after the Interior Department has made this tremendous growth of taxable enterprise possible, by making water available to this land, the Department of Agriculture comes along with new laws that stop the whole process and pays the farmer to not use this land, or prevents him from using it because of lack of previous history, which is the basis upon which these production franchises are handed out. Then the whole reason for this taxpayer subsidy is nullified and stopped and the justification for this enormous subsidy has been eliminated.

To put this same proposition in an affirmative way, let me state it this way. When you made water available to this land, you made possible the development of a great new natural resource, the soil and its products. Every time you provide new uses for this land, that will make it possible for farmers to make a living farming on it, you are doing exactly this same thing again.

I am going to leave this next paragraph out. I show you how irrigation projects are especially adapted to the production of certain crops because of their complete control of moisture.

I feel that legislation proposed by the Department of Agriculture should be shaped in such a way as to enable areas throughout our United States which are especially adapted to the production of certain crops to have the opportunity to engage in the production of such crops. I do not think that historical production franchises should be used in such a way that they have the effect of holding marginal producing areas of certain crops, in production, and preventing new areas who are much more adapted to the production of such crops, out of production. This, certainly, does not strengthen the economy of the United States or enable taxpayers to get any return on their investments in these new projects.

The record shows that the Columbia Basin project is particularly adapted to the production of beets, with one of the highest per acre average tonnage production in the United States.

On two different occasions, when I testified for removal of acreage controls before the sugar section of the Department of Agriculture, Lawrence Myers, presiding, I made the statement that removal of acreage controls would show where the demand for sugarbeet acreage actually existed, if manufacturing capacity was available in the area.

This has been borne out very clearly in our State and also in the other areas.

I am going to leave out this next, but show how after acreage controls were removed, this statement proved true, and there were great increases in areas where this crop was especially desirable, and that in some States and some areas there was practically no increase at all after acreage controls were removed.

This fact shows that under free enterprise conditions the production of sugarbeets, as other crops, will naturally shift to those areas most

adapted to their production. It contributes to the economic strength of the United States that this should happen.

Now, I am going to leave out these other paragraphs where I show the tremendous buildup in tax value and tax buildup that occurred in Grant County since the time water was applied there, and that this same trend will continue if crops are available for these farmers to use this land.

One of the crops, of course, that is most important is sugarbeets because it is one of the few commodities in the United States that we do not produce only a small part of what we use.

We feel that the original proposal agreed upon by the domestic industry for a 5-year act which would give the domestic areas 60 percent of the U.S. sugar market and 67½ percent of growth in the market, would make it possible for our project and other new areas especially adapted to the production of sugarbeets to expand in a normal manner and make possible development that will help repay taxpayers for their large investment in this and other western projects.

On the basis of total beet sugar production for the year 1961, I would estimate that the formula described above would enable beet areas to stay free of acreage controls for another 2 or 3 years. This would give good producing areas the opportunity to build enough history to protect their needs from then on with the special 50,000-ton allotment proposed for new factories.

To summarize then:

First, taxpayers have large sums invested in western irrigation projects.

Second, the only justification for this subsidy, is the creation of new wealth, employment, and tax base for the United States.

Third, an agricultural program that will enable these areas to produce crops to which they are especially adapted contributes to the creation of this new wealth and tax base, the same as the initial availability of water did in the first place.

Fourth, agricultural programs, that have the effect of maintaining marginal producing areas in production, while preventing much better areas from getting into production, do not contribute to the economic strength of the United States.

Fifth, sugar is about the only commodity of which only a small part is produced in the United States. Legislation that will enable good producing areas to produce this crop will help relieve pressure on other crops, with no cost to the U.S. taxpayer.

Mr. Chairman, there was one other thing I wanted to discuss that I have found out about since I got back here, and if there is any chance that any of the members of the committee might care to talk about it, I would appreciate it. This is in regard to this 50,000-ton allotment for new factories.

In our part, the northern part of the Columbia Basin project where we are from, for a good many years the Amalgamated Sugar Co. owned land there and fully intended to build a plant in the area, but as a result of the fact that no permanent Sugar Act was enacted for so long during all this time, the costs of building a factory have continually gone up. So, last year, Amalgamated decided it was economically infeasible for them to build a plant in our area which would only handle maybe 60,000 or 70,000 tons of beets in a year, so

they gave up and pulled out. Luckily, we have been able to get U. & I. Sugar Co. which is located at Moses Lake, Wis., only about 50 miles away to come in and take our acreage.

The U. & I. Sugar Co.'s Moses Lake plant right now is producing about 100,000 tons of sugar a year.

It is apparent that companies feel that their construction costs for small plants are too high any more. This Moses Lake plant can expand its capacity by 50 percent or go up to production of 150,000 or 160,000 tons a year with an investment of maybe a million and a half or maybe $2 million.

This 50,000 or 60,000 tons a year would take care of another 12,000 acres of beets, and we have hundreds of potential new growers in our area; and I think the only way they are going to be taken care of is by this Moses Lake plant expanding in this manner.

What I am wondering is, in view of the fact that companies no longer want to build small plants, if this provision, this 50,000-ton provision in here will apply to plants that are going to expand their existing plant as well as just building a new plant, because you can readily see that if you can handle another 50,000 tons of beets for $2 million investment, that it is a much lower cost than if you have to come in and spend $15 million for a new plant to only handle 50,000 tons of beets. So, that is the thing I would like to see, if this 50,000-ton thing is restricted exclusively to new plants or will it apply to plants that want to extend their capacity to take care of new growers in new areas.

Would here be any discussion on this subject?

Mrs. MAY. Mr. Chairman, we had some discussion yesterday on this point that Mr. Flanagan brings up. It is a very important one to our Columbia Basin area which I said yesterday is a new grower area. We are still rather "in the dark" as to how this growth, this 50,000 increase might be allocated over the life of this extension; and what Mr. Flanagan is again asking here is the question I asked yesterday of the Secretary, after your discussion with him: In a new grower area, could this new acreage go on the basis of expansion which could be a much more economical expansion in a new grower area? Our situation may be rather unique. The Secretary indicated he thought it could, but it was not made clear.

Mr. POAGE. It seems to me that the Secretary made it clear, and I think the wording in the legislation as it now stands, which I hope may be clarified somewhat—I think that makes it clear—that the allocation of tonnage which is an allocation of a proportionate part of the supply of beets, is made, not to the mill, but made to the producers, and that that allocation can be made to new growers in new areas.

The only thing the law says is that you can make enough allocations to justify a mill in the area. It may be that he would not have to use 50,000 tons in your area. I don't know that he would. I would anticipate that he would not have to use that much to justify this expansion.

In most areas, it would require that much for anybody to build a mill. Consequently, we set aside enough to justify the construction of a mill. It may well be that something less than 50,000 tons would justify the $2 million or $3 million expansion that you have in mind here; whereas in an area such as Mr. Jones represents or such as was

discussed from the Texas Panhandle, or such as we have in Kansas, that would require at least 50,000 tons before anybody would be able to invest in a mill.

But I did not understand the limitation was on the size of the mill or even where the mill was, but rather the limitation is such as to require that this 50,000 tons should first be offered to new growers—at least I understand the agreement made between the segments of the industry was that this 50,000 tons was to be used for the benefit of new growers in new areas—I don't think there is a thing in the law or the agreement as to where they might get their beets processed.

But speaking only for myself, if you are an area that does not have any practical way of reaching a mill at the present time, then I would assume that you are a new area, a new grower, and all the growers in that area would be considered new growers for that purpose and that they would be considered in a new area. Certainly, we cannot say that we can give this 50,000 to new growers who come in right at the door of existing mills. That simply means you enlarged the existing areas by that much, and there are 75,000 tons a year at least that are available for that purpose anyway. This 50,000-ton figure is not necessarily confined, though, to these new growers, but it can be set aside for them. The other 25,000 cannot be set aside for these people, and consequently, is available to the old growers for their increases. So, it seems to me that if you are in a new area, that you are cared for by the one provision, and if you are in the old area, you are cared for by the other. You are cared for one way or other.

Mr. FLANAGAN. This is a new area and just the expansion that you and I would make there would be 50,000 tons a year. Expanding their existing plant would amount to that much.

Just one thing I was pointing out was that one company has already decided that they do not consider a plant of the size that would only produce 50,000 or 60,000 tons a year economically feasible any more to build, so it might be a good idea that this 50,000 figure was raised a little larger than that.

Mr. POAGE. Up to 75,000 all told. If you take that away from the old growers, they are going to complain.

Mr. FLANAGAN. That's all.

Mr. POAGE. Thank you very much.

Your complete statement will be made part of the record.

(The statement referred to follows:)

STATEMENT OF SID FLANAGAN, PRESIDENT, COLUMBIA BASIN BEET GROWERS ASSOCIATION AND STATE REPRESENTATIVE FROM GRANT AND KITTITAS COUNTIES IN WASHINGTON

Mr. Chairman, I am Sid Flanagan, president of the Columbia Basin Beet Growers Association, and State representative from Grant and Kittitas Counties in Washington.

My colleague, Mr. Gregory has given testimony showing that we support the quota system of import control of sugar that has been in existence for many years and that this program is self-supporting and of no cost to the taxpayer.

I am going to limit my testimony to a large degree to the effect of this proposed legislation on new irrigation projects in the West, because I am representing beet growers and potential beet growers in one of the largest and fastest developing of such projects. The removal of acreage controls on beets in 1961 contributed a great deal to this fast development.

At the present time the taxpayers of the United States have approximately $550 per acre invested in the construction of the Columbia Basin project, on the basis of the land now receiving water. Of this amount the water users have agreed to repay by contract $85 per acre. Which leaves $465 per acre to be borne by the taxpayers and by power after power construction has been repaid. However, this money is furnished by the taxpayers interest free, and if you figure interest on the money at 4 percent on the $85 repayment, which is the rate the United States must pay for long-term money and this is a 40-year debt, the water users annual payment does not even equal the interest on the money, so they are actually repaying nothing.

How can you justfy this large subsidy by the taxpayers to these new irrigation projects? The way you justify it and the way I justify it is this. By making water available to this arid land which was formerly almost valueless, you enable farmers to come in and develop a new natural resource for this Nation. Millions and millions of dollars of new wealth is created, and millions of dollars of new property tax base valuation is created. These property taxes build many new schools and pay many new teachers. Millions of dollars of new sales and other transaction tax revenue is created for the State, and millions of dollars of new Federal income tax revenue is created for the Federal Government. Millions of dollars worth of new business enterprises begin and thousands of new jobs are created.

This new tax base and new business enterprise is in my opinion the only justification for this large subsidy by the taxpayers.

Now, members of the committee, if after the Interior Department has made this tremendous growth of taxable enterprise possible, by making water available to this land, the Department of Agriculture comes along with new laws, that stop the whole process and pays the farmer to not use this land, or prevents him from using it because of lack of previous history, which is the basis upon which production franchises are handed out, then the whole reason for this taxpayer subsidy is nullified and stopped and the justification for this enormous subsidy has been eliminated.

To put this same proposition in an affirmative way let me state it this way. When you made water available to this land you made possible the development of a great new natural resource, the soil and its products. Every time you provide new uses for this land, that will make it possible for farmers to make a living farming on it, you are doing exactly this same thing again.

These arid western areas are especially adapted to the production of certain crops, because they are guaranteed by Mother Nature against too much water and they are guaranteed, especially in the Columbia Basin, of sufficient water. This gives the farmer precise and accurate control over moisture throughout the growing season. We are especially adapted to the production of sugarbeets, potatoes, onions, and many other vegetable and row crops that require a high investment per acre.

I feel that legislation proposed by the Department of Agriculture should be shaped in such a way as to enable areas throughout our United States, which are especially adapted to the production of certain crops, to have the opportunity to engage in the production of such crops. I do not think that historical production franchises should be used in such a way that they have the effect of holding marginal producing areas of certain crops, in production, and preventing new areas who are much more adapted to the production of such crops, out of production. This certainly does not strengthen the economy of the United States or enable taxpayers to get any return on their investments in these new projects.

The record shows that the Columbia Basin project is particularly adapted to the production of beets, with one of the highest per acre average tonnage production in the United States.

On two different occasions, when I testified for removal of acreage controls before the Sugar Section of the Department of Agriculture, Lawrence Myers presiding, I made the statement that removal of acreage controls, would show where the demand for sugarbeet acreage actually existed, if manufacturing capacity was available in the area.

This has been borne out very clearly in our State and also in the other areas.

As a result of the removal of acreage controls for the 1961 crop year, the Utah-Idaho Sugar Co. was able to contract 16,500 more acres of beets in the State because they had manufacturing capacity that was not being used. Out of this increase the Columbia Basin project, the new land part of the State, took 14,000 acres, and growers asked for about 4 times this amount. In the old

part of the State they contracted only 2,500 more acres and this took care of the demands of the growers there.

This same situation shows up in Michigan, Wisconsin, and other old producing areas. In 1959, these 2 States planted 77.400 and 8,500 acres, respectively. In 1961, when acreage controls were removed they did not even get back up to this amount, planting only 75,500 and 6,611 acres, respectively.

In this same period, Washington's acreage moved from 35,500 to 54,400 acres, and the latter figure represents the absolute maximum of manufacturing capacity available in the State.

This fact shows that under free enterprise conditions the production of sugarbeets, as other crops, will naturally shift to those areas most adapted to their production. It contributes to the economic strength of the United States that this should happen.

Another statistic that is of interest is that in 1958, with 12,000 acres, beets ranked third in total value of all crops produced in the project. In 1961 after acreage controls were removed, beets jumped to first place in total value of all crops produced and at the same time comprised only 8.7 percent of the irrigable acreage receiving water.

Some figures regarding property valuations and tax revenue from Grant County, one of the three counties in the project. In 1950, when the Bureau of Reclamation began constructing the irrigation facilities of the project, property valuations in Grant County for tax purposes were $17 million, with property tax collections of $790 million. In 1961 property valuation had raised to $58 million and property tax collections to roughtly $3,400,000. This is an example of one county out of three in the project. On the basis of figures received from the State tax commission, I would estimate that total tax collections in Grant County for all taxes, local, State, and Federal amounted to about $35 million in 1961.

When you consider the fact that only 2 percent of the land has reached the end of the development period and that only one-third of the contemplated project has received water, you can see that this same trend can be expected to continue for the next 10 years, assuming, of course that there are crops available for the farmer to produce.

We feel that the original proposal agreed upon by the domestic industry for a 5-year act which would give the domestic areas 60 percent of the U.S. sugar market and 67½ percent of growth in the market, would make it possible for our project and other new areas especially adapted to the production of sugarbeets, to expand in a normal manner and make possible development that will help repay taxpayers for their large investment in this and other western projects.

On the basis of total beet-sugar production for the year 1961, I would estimate that the formula described above, would enable beet areas to stay free of acreage controls for another 2 or 3 years. This would give good producing areas the opprotunity to build enough history to protect their needs from then on with the special 50,000-ton allotment proposed for new factories.

To summarize then:

First, taxpayers have large sums invested in western irrigation projects.

Second, the only justification for this subsidiary, is the creation of new wealth, employment, and tax base for the United States.

Third, an agricultural program that will enable these areas to produce crops to which they are especially adapted contributes to the creation of this new wealth and tax base, the same as the initial availability of water did in the first place.

Fourth, agricultural programs, that have the effect of maintaining marginal producing areas in production, while preventing much better areas out of production, do not contribute to the economic strength of the United States.

Fifth, sugar is about the only commodity of which only a small part is produced in the United States. Legislation that will enable good producing areas to produce this crop will help relieve pressure on other crops, with no cost to the U.S. taxpayer.

Mr. POAGE. Are there other witnesses?

Mrs. MAY. Yes, the next presentation will be made by Maurice L. Koester, of Mesa, Wash., director of Columbia Basin Association for Sugar Beet Development, a very important new grower Sugar Beet

Association in the 14th Congressional District of Washington. And you are accompanied, are you not?

Mr. KOESTER. Yes.

Mrs. MAY. By Harley M. Dirks, who is a retail merchant in Othello, Wash., representing the Columbia Basin chambers of commerce and business organizations.

Mr. POAGE. We are delighted to hear from your organization. We are going to try to speed this thing up. We have a number of witnesses yet to be heard. We have bills on the floor this afternoon that we have to vote on. They will be the first thing up. We will be glad to hear you Mr. Koester.

STATEMENT OF MAURICE L. KOESTER, DIRECTOR, COLUMBIA BASIN ASSOCIATION FOR SUGARBEET DEVELOPMENT, MESA, WASH.

Mr. KOESTER. I was in a similar position last year and I gave about three words last year.

Mr. Chairman and members of the committee, I would like to summarize what we are asking for and that is to enact all the proposals as given to you by the sugarbeet industry, except:

1. Let the domestic growers have 100 percent of the annual increased consumption of sugar in the United States;

2. A special reserve of 85,000 tons for new growers, so that a reasonable expansion can be made in the immediate future for the domestic sugar industry.

Thank you.

I would like permission to include my statement in the record.

Mr. POAGE. Without objection that permission is granted. Your statement will be made a part of the record at this point.

(The statement referred to follows:)

STATEMENT OF MAURICE L. KOESTER, DIRECTOR, COLUMBIA BASIN ASSOCIATION FOR SUGARBEET DEVELOPMENT, MESA, WASH.

Mr. Chairman and distinguished members of the House Agricultural Committee, I appear before you again as a director and dirt farmer of the Columbia Basin Association for sugarbeet development. My association was formed 3 years ago to represent all new sugarbeet growers in the territory of the Columbia Basin project in the State of Washington, which is served by the Utah & Idaho Sugar Co.

Our association has a membership of approximately 100 members; and the irrigable acreage in the Columbia Basin project which the Utah & Idaho Sugar Co. serves is approximately 445,000 acres. In 1961, the Columbia Basin project raised 27,384 acres of sugarbeets.

My organization wishes to commend all segments of the sugar industry and the administration for their fine presentation and for their willingness to compromise their beliefs in order to get a new Sugar Act.

My organization concurs with all of the legislative proposals of the sugar industry except:

1. We feel that the domestic growers should be entitled to 100 percent of the annual increased consumption of sugar in the United States, based on a 9.7 million ton level of the U.S. consumption.

We request that a special reserve of up to 85,000 tons, or acres equivalent, out of the total acreage required to produce the beet quota would be available each year for new mill expansion, instead of a special reserve of up to 50,000 tons.

Our area is in the process of being further developed so that it will eventually include 1 million irrigable acres. In 1961, the Utah & Idaho Sugar Co. received applications from 460 new growers for approximately 10,000 acres. The company signed contracts with 140 new growers for approximately 2,800 acres.

This 1962 season, the Utah & Idaho Sugar Co. did not accept or give any new acreage to new growers, or even accept applications.

The Utah & Idaho Sugar Co. has purchased a site in the southern end of the Columbia Basin project, near Basin City, Wash., on which we growers firmly hope the company will be able to build a new processing mill.

Mr. Chairman and members of the committee, we in the Columbia Basin want a new plant, and I have come back here representing the farmers in that area to ask you to give our area a new plant. In summary, I would like to state: Enact all of the proposals as given to you by the sugarbeet industry, except:

1. Let the domestic growers have 100 percent of the annual increased consumption of sugar in the United States;

2. A special reserve of 85,000 tons for new growers, so that a reasonable expansion can be made in the immediate future for the domestic sugar industry.

Thank you.

STATEMENT OF HARLEY M. DIRKS, RETAIL MERCHANT OF OTHELLO, WASH., REPRESENTING THE COLUMBIA BASIN CHAMBERS OF COMMERCE AND BUSINESS ORGANIZATIONS

Mr. DIRKS. I would like permission to include in the record my statement.

Mr. POAGE. Without objection, that permission is granted.

Mr. DIRKS. I would also like to include in the record a statement from Peoples National Bank of Washington who displayed a strong interest in the extension of the sugarbeet industry.

Mr. POAGE. Without objection, the statement will be made a part of the record at this point.

Mr. DIRKS. Thank you, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Dirks.

(The two statements referred to are as follows:)

STATEMENT OF HARLEY M. DIRKS, RETAIL MERCHANT OF OTHELLO, WASH., REPRESENTING THE COLUMBIA BASIN CHAMBERS OF COMMERCE AND BUSINESS ORGANIZATIONS

Mr. Chairman and distinguished members of the House Agriculture Committee. I wish to be very brief and therefore will concur and support those statements made by Mr. Koester and only emphasize that we hope that you would give favorable consideration to an amendment to the Sugar Act that would extend the act for 5 years. That you would also give favorable consideration to the amendments to the act that would permit an expansion of production to both old and new growers, thereby giving the sugar industry a chance to expand their processing facilities and add to this Nation's farm and business economy.

I would like permission to include in the record a statement from the Honorable Albert D. Rosellini, Governor of the State of Washington, giving his views and support on amendments to the Sugar Act.

Also a statement from the Peoples National Bank of Washington, who have displayed a strong concern in the financing of sugarbeet farmers in the Columbia Basin through their branch banks in that area.

Neither of these statements I intend to read, but only wish, with your consent, to have them entered in the record.

My sincere thanks for the time allowed me before this committee.

PEOPLES NATIONAL BANK OF WASHINGTON,
Othello, Wash., May 11, 1962.

Mr. HAROLD COOLEY,
Chairman of the House Agricultural Committee,
House Office Building, Washington, D.C.

DEAR MR. COOLEY: Peoples National Bank, Othello branch, would like to go on record at this time as favoring a 5-year extension of the Sugar Act and favoring the recent extension of the sugarbeet industry. Let me say that our bank also is in favor of the views of the Columbia Basin Sugar Beet Development Association.

We have helped farmers in this area finance farm production needs for the past 7 years. It has been noted that farmers with sugarbeets in their program has usually had a better payout record, have continued to increase their net worth, and have been able to take care of general farming emergencies. Anything that can be done to increase sugarbeet acreage in the Columbia Basin will benefit the farmers, the businessmen in the area, and in turn our State and Nation. Our agriculture is in need of sound programs, and the sugarbeet growers have continually been a stabilizing factor in our area. Any increase or promotion for a healthy sugarbeet program could do nothing but good.

Sincerely,

B. E. BROUGHTON, *Manager.*

Mrs. MAY. That completes the testimony of witnesses from the State of Washington.

Mr. POAGE. Thank you very much, all the witnesses from the Columbia Basin associations.

Mr. Jones, do you wish to introduce Mr. Thomason?

Mr. JONES. Mr. Chairman, I have discussed with our Missouri commissioner of agriculture, Mr. Don Thomason, the fact that we are limited in time this morning, and he has graciously agreed that it would be satsifactory for him to file his prepared statement. He is accompanied by Mr. Cordell Tindall, of Fayette, Mo., editor of the Missouri Ruralist and president of the Missouri Beet Growers Development Association, who also has a prepared statement which he will file.

Mr. Chairman, Missouri has at least three areas interested in producing sugarbeets, and our State has gone forward with considerable research, as will be pointed out in Mr. Thomason's statement. Actually, there is more than 1½ million acres of land in Missouri adaptable to the profitable production of sugarbeets.

Incidentally, Commissioner Thomason, a close personal friend of mine, comes from my hometown of Kennett, and he is doing an outstanding job in his position as commissioner of agriculture. I would appreciate it, Mr. Chairman, if you will give Mr. Thomason 1 minute in which he can address the committee and file his statement.

Mr. POAGE. We will be glad to give you 2.

STATEMENT OF COMMISSIONER DON THOMASON, COMMISSIONER OF AGRICULTURE FOR THE STATE OF MISSOURI

Mr. THOMASON. Mr. Chairman and members of the committee, because of the press of time on the committee in conducting these hearings, I will not take the opportunity this morning to present my testimony orally, but only ask the permission of the committee to file my statement.

Mr. POAGE. Without objection, the statement will be made a part of the record at this point. We appreciate your coming here, Mr. Thomason.

(The statement referred to is as follows:)

STATEMENT OF COMMISSIONER DON THOMASON, COMMISSIONER OF AGRICULTURE FOR THE STATE OF MISSOURI

I. INTRODUCTION

Mr. Chairman and members of the committee, I am Don Thomason, commissioner of agriculture for the State of Missouri, and I wish to express to you my appreciation for being allowed to appear before the committee today and to express to you my personal reasons as to why I feel Missouri is justified in requesting a new area sugarbeet allotment under the revisions of the present Sugar Act.

II. BACKGROUND

This is not some spur of the moment idea which a very few of us have had in the State of Missouri. In fact, there were trials of beets in Missouri conducted as far back as 1890, using European varieties, which were the only ones available at that time. Yields of raw beets were generally satisfactory in those years. In 1897, sugar content averaged 11.1 percent, purity 70 percent. These results created great interest, and in 1898 large-scale farm trials were conducted. The season turned out cool and wet, giving an average overall sugar percent of only 8.7 and average purity of 72.5. These unfavorable results apparently killed interest in sugarbeets in Missouri. In the years to follow, the sugar industry developed in Western and Northern States but was beset by numerous difficulties, including disastrous losses from the insect-vectored virus disease called curly top, severe losses from leaf spot disease incited by the fungus *Cercospora beticola*, and sizable losses from the black root disease caused by *Aphanomyces cochliodes*. In the twenties and thirties USDA and State experiment station research on beets expanded greatly as did company-sponsored research. Major advances during the period 1920–45 included the development of commercial varieties, highly resistant to curly top and black root and moderately resistant to leaf spot. Increased knowledge of the effect of low temperature on bolting habit lead to the development of a beet seed industry in the United States.

In the last 20 years other major research advances have been made. Monogerm beets to ease the task of thinning to stand; discovery of the cytoplasmic male sterile character which makes possible the utilization of hybrid vigor, roughly comparable to that in hybrid corn; the development of mechanical harvesters and thinners; the increased utilization of low-cost fertilizers in growing quality beets; and finally an appreciation of the role of genetic control of quality factors in beet juice.

It was with this knowledge of research advances that Missouri Agricultural Experiment Station workers in early 1961 reevaluated Missouri's potential as a beet-growing State. They were also well aware of the stability in the beet-growing industry during the last 25 years, brought about in part by wisely administered legislative controls on prices and production, and in part by the research advances which had given such a high degree of efficiency to beet sugar production.

The decision was reached that the indifferent results in the 1890 to 1898 trials were probably due in part to the incidence of *Cercospora* leaf spot, which lowers both sugar content and quality, and that use of the moderately resistant varieties now available might give success to a new Missouri effort when coupled with improved agricultural practices now available. Accordingly, after encouragement by farmers, businessmen, and government officials, a modest research and demonstration program was initiated in 1961.

Extensive on-the-farm demonstration plantings were made in river valley and river hill (loess) soils, principally along the Missouri River in northwest Missouri and in the delta area of southeast Missouri. In addition, replicated variety and fertilizer trials were conducted by the agricultural experiment station. Yield, sucrose content, and apparent purity were determined for all farm and experimental plantings. Observations were made on the principal disease and insect problems, and further information regarding these experiments will be carried later on in this testimony.

Sugarbeets are now grown in most of the Western and Mountain States under irrigation and in eight Central and Northern States without supplementary irrigation. Missouri is the only State of the north central region that has not grown sugarbeets commercially. Until recently Cuba has supplied approximately one-

third of the sugar used by the United States. Loss of this sugar has led U.S. beetgrowers to hope for a revision of the Sugar Act that will permit them a greater share of the U.S. market, which has in recent years amounted to approximately 22 percent for the domestic beet sugar industry. Throughout 1961, a ground swell of public interest in sugarbeets for Missouri has swept the State. The interest is broadly based from farmers, agricultural leaders, educators, and government officials. I will touch on this more in just a minute.

It arises from a natural desire to be allowed to grow this high income crop, which is traditionally stable in price, conducive to livestock farming, kind to our soils, and which, in addition, provides varied stimuli to local business and industry in the areas where refineries are located.

III. INTEREST IN CROP

A stated before, there has been a tremendous interest among all segments in the State of Missouri in being allowed to enter the commercial production of sugarbeets. Farmers all over the State have shown an unusual desire in securing information on the subject. I have received letters from farmers from every corner of our agricultural areas, evidencing an interest, wanting to know how they could get into production, and, if it were possible for us to receive an acreage allotment, how they would go about getting quotas on their particular farm.

As far back as February 1961, a group of farmers and businessmen from Lafayette, Carroll, Ray, and Saline Counties journeyed to the University of Missouri to check with its staff on what was known regarding the possibilities of a sugarbeet crop in Missouri. A direct outgrowth of this activity was a gathering of 77 persons, representing farm interests along the Missouri River from the Iowa line to Jefferson City. These individuals held a meeting in Lexington, Mo., on March 29, 1961, at which time a decision was made to form the Missouri Beet Growers Development Association.

During the 1961 growing year, individual farmers were interested enough in the research program set up by the College of Agriculture of the University of Missouri, that they furnished their own funds to carry on some of the experimental programs. This same interest has carried over into the 1962 crop year and numerous farmers are offering their land and their equipment for use in the preparation of experimental plots for this crop year.

The interest of farmers and businessmen throughout the State soon permeated to the Missouri Legislature, and during the last session of the general assembly, a group of agricultural leaders of both the house and senate received permission to make a trip to Colorado to view the sugarbeet producing and processing industry of that State. This committee visited sugarbeet farming operations, sugar processing plants of the American Crystal Sugar Co., and the Great Western Sugar Co., and Colorado A. & M. College. They returned to Missouri firmly convinced that this crop could be grown in Missouri on a commercial basis.

Sometime later, a number of farsighted Kansas City businessmen, operating at Kansas City Resources, Inc., devoted their time, talents, impetus, and a little money to setting up a meeting which was held in Kansas City the latter part of January 1962. Interested individuals from across the State of Missouri, representatives from the U.S. Department of Agriculture, members of this House Committee on Agriculture, certain State officers and officials, representatives of the College of Agriculture of the University of Missouri, and officials of the Missouri Beet Growers Association were invited to attend this seminar. Questions were asked of these officials as to how Missouri could best move into the commercial production and processing of sugarbeets and also to impart to these officials, reasons why we felt commercial production of sugarbeets in Missouri would be feasible. This seminar, held in Kansas City, served only to encourage those individuals interested in Missouri sugarbeet production and immediate efforts were made to secure additional funds for a more expanded research program for our State for the 1962 crop year.

A group of farmers and businessmen in the Delta area of southeast Missouri felt they had every facility which was needed to produce and process sugarbeets and they evidenced their interest by extending invitations to certain sugar-processing officials to visit that area. To my knowledge, representatives of one sugar processing company have been in this area on three different occasions and representatives from two other processing companies have been in this area on at least one occasion.

The Missouri Department of Agriculture has served as more or less a clearinghouse, not only for information, but for efforts directed toward the securing of an allotment for the State of Missouri. Also, the Division of Commerce and Industrial Development has been vitally interested in this possibility. They have also done certain feasibility studies with regard to end-use markets. The College of Agriculture of the University of Missouri, as stated before, has been quite active in the pursuit of this research program and has actually diverted funds from other programs to be used in sugarbeet research. The Governor of the State of Missouri, the Honorable John M. Dalton, is vitally interested in this program and has on numerous occasions voiced his desire that the State of Missouri receive a sufficient allotment that would allow all farmers interested in production to have a quota. The entire Missouri congressional delegation is likewise interested and has informed me of their desire to assist in any way possible.

On March 9, I had a meeting in St. Louis with 12 men representing six railroad lines. These rail carrier representatives were vitally interested in the possibility of Missouri securing a sugarbeet allotment and pledged their support for any effort we might want to make. They also agreed to submit to us new tariffs regarding rail transportation for raw beets to processors and for the finished product to the consumers' market.

IV. ADVANTAGES TO BE FOUND IN MISSOURI

Missouri has 1.6 million acres of soils well adapted to the production of sugarbeets. Missouri has in all areas an adequate water supply for growing, processing, and disposal purposes and in some areas of the State, the water supply is not only adequate but evidently unlimited and very accessible. Missouri also has a climate which is well adapted to the production of sugarbeets with a long growing season which would also prove beneficial. The State is well blessed with every transportation medium, including water transportation, rail transportation, and truck transportation. Also, the farmers of this State are well equipped with vehicles which would be necessary in transporting the beets from the fields to the refineries.

Missouri would have a number of areas where a concentration of sufficient acreage could be found within a desired radius. Requests have been made that 25,000 acres per year be available in an area not to exceed a radius of 70 miles. Due to the required rotation, this would necessitate a minimum of 75,000 acres available within this 70-mile radius for a 3-year crop rotation. This Missouri has, in more than one area.

Sufficient funds for the financing of farmers to get into the production of sugarbeets in Missouri is available from many different sources. Also, there are numerous farmers who would be able and willing to finance themselves if they could but produce this crop.

Missouri is extremely well located when considering the disposal of the finished product. Our largest metropolitan area is St. Louis, with a total population approximating 2 million. Kansas City has a population of 1¼ million. One corner of our State is approximately 200 miles from Chicago, where reside another 2½ million citizens. Also, one corner of our State is only 90 air miles from Memphis, Tenn., providing another market of 750,000 individuals. From this central location, the disposal of the finished product and the attendant freight rates and costs would be very attractive to a processing company.

In addition to this, Missouri, as it is now, is 12th in sugar consumption in the United States. Certainly, if we were producing our own crop, we could expect an appreciable increase in consumption within our own State.

V. INTEREST OF PROCESSORS

As referred to briefly in preceding remarks, an unusual amount of interest has been shown by processors in the possibility that Missouri might become a commercial sugarbeet producing area. Representatives of three processing companies have been in Missouri for extended visits on different occasions. They realize the many advantages Missouri offers from the standpoint of soil, water, climate, transportation, and location. They also realize the very fine industrial outlook and climate to be found in the State of Missouri. They realize also that numerous smaller towns in the State are already equipped with either industrial development corporations or chambers of commerce, either of which would be vitally interested in assisting them in securing sites, buildings, facili-

ties, or in being of any possible help in locating a refinery in their area. This interest by Missouri citizens and their attitude toward the acceptance of a relatively new crop in this State has not gone unnoticed by these representatives of the processing companies. They feel it finishes the picture, starting at the grassroots level and ending at the top, of the complete interest of everyone in the State of Missouri in securing a sugarbeet allotment.

VI. RESULTS OF EXPERIMENTATION IN 1961

Please refer to attached paper by Dr. Emmett Pinnell.

With our 1962 research and experimentation program underway, we feel certain the results of our work this year will be much more indicative of what we can accomplish once we are in commercial production. Due to the unusual amount of cool, damp weather in 1961, the yield per acre, the sucrose content, and the purity factor were all below our expectations. With a more normal growing season this year, earlier planting dates, and the selection of particular strains and varieties adapted to a given area, we feel certain the results of our 1962 program will be most impressive and will be competitive with any producing State in the north-central region.

VII. REQUEST FOR ALLOTMENT

With the firm support of Missouri citizens from every walk of life; with the results of our experiment program during 1961; with the unbounding confidence in Missourians to excel in any endeavor; and with the knowledge that Missouri could offer as much, if not more, than any new area to be considered, and as much in numerous instances as areas now in production of commercial acreages, I am not the least bit reluctant in requesting of this committee that their consideration be given to affording the State of Missouri the opportunity to become a commercial beetgrowing area. At the risk of appearing selfish, I respectfully request an allotment of 50,000 acres.

I wish to thank the committee for its time and attention.

Comments on 1961 Sugarbeet Program in Missouri

(Presented to Missouri Beet Grower Development Association annual meeting, Jan. 9, 1962, by Emmett L. Pinnell [1])

Early in 1961 because of the Cuban situation we faced the question, Can Missouri grow satisfactory sugarbeets if acreage allotments are assigned and factories built? Consultation among experiment station staff, contacts with members of the sugar industry confident that "beets can be grown anywhere," a thorough study of old, old, Missouri data on sugarbeets, a review of recent advances in sugarbeet research and technology, and an awareness of the strong desire of Missouri farmers for such a new crop led to the only logical answer is yes. Once the answer had been arrived at the only job remaining was to prove it correct. A start has been made.

Seed of six varieties were collected and planted in replicated experimental trials at Lexington on a deep silt-loam soil and at Portageville on a light sandy loam. Seed lots of the same varieties were distributed widely to farmers, many of them members of this association, to plant in unreplicated domnstration plots both to gain experience with the crop and permit collection of data on yield-sugar quality, and agronomic problems from a wide range of conditions. The soils department used seed for preliminary studies involving varying applications of N and K.

No matter how extensive the plantings, data from one season are seldom, if ever, adequate to give a precise answer on the degree of success expected from a crop in a new growing area. The nature of the present situation in which Missouri is a candidate for acreage allotments demands that an attempt be made, however.

The 1961 Missouri beet trial results should logically be compared only with those from the nonirrigated States. These States are to the north and east of Missouri. Since 1961 data from other States are not yet available the next best comparison appears to be with longtime averages from the so-called humid region of beet production—Ohio, Michigan, Wisconsin, Minnesota, and Iowa.

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[1] Professor and chairman, Department of Field Crops, University of Missouri.

Ten-year average production figures were drawn from the most recent issue of the Sugar Beet Handbook. As a matter of interest, data are also included for two States, Colorado and Oregon, of the western irrigated region.

Perhaps the most critical comparisons to make are those with sugar per acre. In table 1 it can be seen that in the five humid area States, production per acre ranger from 2,870 to 3,584 pounds, with a five-State average of approximately 3,200 pounds per acre for the 10 years. The average yield was 11.9 tons per acre and the average percent sugar was 13.5.

(NOTE.—Normally, only 90 percent or less of the sucrose in the beet is recovered in the refining process; thus the factory figure of 13.5 indicates at least 15 percent sucrose in the beets at harvest, on the average.)

The replicated experimental trials at Lexington and Portageville (see table 2) gave results approximating the 10-year humid area averages in spite of the fact that the Lexington plots were severely hurt by *Rhizoctonia* root rot and *Cercospora* leaf spot while the Portageville plots were affected by root knot nematode as well as leaf spot and crown rot. Nevertheless, tonnages, percent sugar, and sugar per acre as an average of the two locations were very close to the 10-year averages from the North Central States.

The 49 Missouri demonstrations averaged 3,116 pounds of sugar per acre, 16.3 tons per acre, and 12 percent sucrose (table 3). Sugar per acre essentially equals the five-State average sugar production per acre mentioned previously but was obtained from beets averaging about 3 percent less in sucrose. It should be noted that the estimated sugar per acre reported here is calculated by a method commonly used; that is, gross sugar per acre times apparent purity. Six of the trials averaged above 5,000 pounds gross sugar per acre and one trial had an indicated gross yield of 6,700 pounds of sugar per acre.

Since some of the varieties used were obviously not well adapted to Missouri, the performance of the topranking variety should be of interest. The hybrid SL122 x SP 5460–0 ranked first (in sugar per acre) at the Portageville trial and probably would have done so in the Lexington trial had it not been for a poor stand. Table 4 gives the results from 38 demonstrations which included yields on all 6 varieties and in which this hybrid was top ranking in both yield and percent sucrose. The calculated sugar per acre was 3,424 pounds compared with 3,085 for all varieties and 2,581 for the sixth-ranking variety. The performance of this hybrid is probably a more realistic measure of the seasons results than the average performance of the six varieties.

In general, the yields were satisfactory, although early planting might well have improved average yields by several tons. Date of planting studies are rare in the literature, but those reported from the Nebraska area show a distinct advantage for planting earlier than was the case in Missouri this year. Judging from climatic differences between Missouri and Nebraska one would suppose that April 1 for northwest Missouri and March 1 (or perhaps February 20) for the southeast delta would be the time to plant for highest yields. Experimental trials are needed to establishe the best planting dates. The effect of date of planting on percent sucrose and apparent purity is not well known.

Percent sucrose at 12 percent is about 3 percent less than the longtime average in other States of the region. The longtime average for apparent purity is not available in statistical reports of the region, but is assumed to be above 85 percent since this is the figure often quoted by sugar companies as the minimum desired. The 1961 Missouri average of 80.3 leaves much to be desired in the way of quality. It is interesting to speculate what effect three or four fungicide treatments during the growing season would have done to improve quality, percent sucrose, and yield. Ohio experiments with copper fungicides in past years showed a 5.8-ton yield increase, 1.8 percent increase in percent sucrose, and 5.8 percent increase in apparent purity, averaging out an increase of 2,165 pounds of sugar per acre over the control at 2,767 pounds per acre. Certainly, *Cercospora* leaf spot is likely to be more serious in Missouri than in States to the east and north because of humidity and temperature differences favoring the development of the fungus. Although immunity is available in related species, it has not yet been successfully transferred to the common sugarbeet. The present levels of resistance in commercial varieties, though deemed adequate protection in such States as Ohio and Michigan, may not be enough for Missouri conditions. Only time and further experimentation can determine whether the relatively nonexpensive, but cumbersome, fungicide treatments will be a necessary part of successful sugarbeet production in Missouri.

In summary, the 1961 trials demonstrate that Missouri has a potential in sugarbeet production about equal to several Eastern and Northern States which have long produced the crop. Although it is doubtful that Missouri farmers can ever achieve the high sugar per acre found in the irrigated Western States, it is quite likely that with sufficient research and education our farmers can produce beets satisfactory to the industry.

Research areas in need of immediate attention if Missouri is to be a beet-growing State by 1964 or 1965:

(1) Fertilizer studies.
(2) Time of planting and harvesting.
(3) Variety evaluation.
(4) Fungicides for control of *Cercospora* leaf spot.
(5) Control of *Rhizoctonia* root rot.
(6) Chemicals for weed control.
(7) Chemicals for insect control.

Basic research needed in the long run:

(1) Transfer of immunity to *Cercospora* leaf spot from wild species related to the sugarbeet.

(2) Inheritance of quality factors in sugarbeets grown under Missouri climatic conditions.

TABLE 1.—*10-year average (1950–59) beet sugar production statistics from selected States (from data in Beet Sugar Handbook, 2d ed., May 1961)*

State	Sugar per acre	Percent sugar factory produced	Tons of beets per acre	Payments per ton	Farm income per acre [1]
Ohio	3,430	12.8	13.4	$13.45	$180
Michigan	3,113	12.2	12.8	13.95	179
Minnesota	3,584	16.0	11.2	13.59	152
Iowa	2,870	13.0	11.0	13.68	150
Wisconsin	2,960	13.6	10.9	11.38	124
5-State average	3,191	13.5	11.9	13.21	157
Colorado	5,180	16.0	16.2	14.30	232
Oregon	8,747	18.8	23.3	13.42	313

[1] Does not include value of tops or pulp returned to farm.

TABLE 2.—*Summary of 1961 sugarbeet experimental trials in Missouri*

Location	Sugar per acre	Percent sucrose	Tons of beets per acre	Apparent purity
Lexington	3,061	13.0	13.8	85.1
Portageville	2,402	14.2	10.8	79.3
Top variety:				
Lexington [1]	3,336	13.2	15.3	82.6
Portageville	2,801	15.0	11.4	81.9
Average 2 locations	2,732	13.6	12.3	82.2
Average of top varieties	3,068	14.1	13.4	82.2

[1] Top variety chosen on basis of sugar per acre. (Varieties differed significantly in percent sucrose but not in yield.)

TABLE 3.—*Performance of sugarbeets in 49 demonstration plantings over the State of Missouri in 1961*

Group	Number of demonstrations averaged	Pounds of sugar per acre	Percent of sucrose	Tons of beets per acre	Apparent purity
1. Missouri–Mississippi bottom trials	27	3,260	11.4	17.5	81.7
2. Southeast	12	2,972	12.7	15.1	77.5
3. Upland trials	10	2,900	12.6	14.4	79.9
Grand average	49	3,116	12.0	16.3	80.3

TABLE 4.—*Comparative performance of 6 sugarbeet varieties in demonstration trials*

Variety	Pounds of sugar per acre	Percent of sucrose	Tons of beets per acre	Apparent purity
		[1] (10)	[1] (38)	[1] (6)
SL122 x SP 5460–0	3,424	13.3	15.6	82.5
HC2	3,298	12.6	15.2	86.1
HH12	3,234	13.2	15.2	80.6
US 401	3,203	12.7	15.5	81.1
USH2	2,768	11.8	14.5	80.9
59–606–0	2,581	12.2	13.6	77.8
Average	3,085	12.6	14.9	81.5

[1] Numbers in parentheses refer to number of locations from which comparable data were obtained.

Mr. JONES. Mr. Tindall, stand up. He is toward the door. Mr. Tindall is of the Missouri Ruralist, the Missouri State magazine, and quite active in the development of the sugarbeet industry in Missouri.

Mr. POAGE. We are glad to have both of these gentlemen.

(Mr. Tindall's prepared statement follows:)

STATEMENT OF CORDELL TINDALL, REPRESENTING THE MISSOURI BEET GROWERS DEVELOPMENT ASSOCIATION

Mr. Chairman and members of the committee: I am Cordell Tindall, Fayette, Mo. I represent the Missouri Beet Growers Development Association, a rather informal group of farmers from widely scattered sections of the State organized in 1961 to explore the possibilities of bringing a new farm industry to Missouri. I operate 400 acres of land in Howard County, am also editor of Missouri Ruralist, Missouri's State farm magazine.

Members of our organization are substantial farmers, many with large-scale operations. They have shown keen interest in growing sugarbeets, stand willing to make the investment necessary for machinery and equipment.

Individual farmers planted small test plots in considerable numbers last year, and these plots indicated that beets will thrive in our State under a wide variety of soils and degrees of care.

To provide much more valuable information on cultural and management practices, however, our University of Missouri conducted tests in several locations. Despite a most unfavorable season, results were encouraging. Our yields were higher and sugar content slightly lower than reports from surrounding States growing beets. On the basis of yield of sugar to the acre our preliminary results were encouraging, the yield (3,100 pounds) was practically that of the five-State average (3,400).

We are confident that we can make big strides forward in this field. Our first tests were with varieties poorly adapted to Missouri. Top varieties performed well, indeed. No attempt was made to control insects or diseases. We wanted to learn what the problems would be. We did just that. Use of chemicals to control disease undoubtedly will increase yield of sugar, as it has in other States.

Further tests are being carried out in four locations this year by the University of Missouri, at Spickard, Columbia, Weldon Springs, and Sikeston. Experimental work will include fertilizer-application studies as well as further study of varieties, planting dates, harvest dates, cultural practices, and use of chemicals. Some farm plots are being planted again this year.

I mention this work to indicate that we have the enthusiastic support of research facilities of our land-grant college.

On the credit side of the ledger Missouri has distinct advantages. We have plenty of water, both for irrigation of the growing crop and the processing of the beets. We have a strategic location at the crossroads of the Nation with excellent rail, barge, and truck transportation. We are much closer to large centers of population than many areas now growing beets.

We are not ready to grow beets commercially this year, nor next year. It is our hope that Congress can write a new Sugar Act that will call for orderly development and expansion of the sugar industry in this Nation. Naturally, it is our hope that Missouri can play a major role in this development in the next few years.

The farmers of Missouri stand willing to grow sugarbeets. Our research scientists are ready to provide us with the technical know-how. Industrial leaders have indicated interest in this new industry. Missouri is ready to "show" the Nation that we can develop a sugarbeet industry.

Mr. POAGE. Mr. Harvey, would you present the gentlemen from Indiana?

Mr. HARVEY. Thank you, Mr. Chairman. I am very happy to present a longtime friend of mine and a very highly regarded gentleman, particularly in agricultural circles in Indiana, a gentleman who has given a lot of thought to the problem of getting a sugar quota established and a plant for western Indiana and eastern Illinois. He is from Indiana. I am very happy to present my friend, Mr. Charles H. Schenk.

Mr. POAGE. Mr. Schenk, we are glad to hear from you.

STATEMENT OF CHARLES H. SCHENK, VINCENNES, IND., PRESIDENT OF THE WABASH VALLEY BEET DEVELOPING ASSOCIATION

Mr. SCHENK. Mr. Chairman and members, I am Charles H. Schenk, a farmer of Vincennes, Ind. I have been farming for many years and at the present time am president of the Wabash Valley Beet Developing Association. This association represents an area of southwestern Indiana and southeastern Illinois comprising 15 counties with a membership of several thousand. Mr. Chairman, I appreciate the opportunity to appear before you and your committee to express the views of the farmers of our association.

We farmers believe that a larger percentage of the U.S. sugar supply should be produced by domestic beet and mainland cane growers and that provisions should be made to allow part of this increase to come from new sugar-producing areas.

A strong agriculture is basic to the continued success of our American economy, and it is in the public interest for consumers to have a safe, dependable supply of sugar.

The broad purpose of sugar-quota laws has generally been regarded as being to provide U.S. consumers with a safe and adequate supply of sugar at prices which would both maintain the domestic sugar industry and be a fair and reasonable price to customers. An additional purpose of sugar-quota legislation has been to promote the export trade of the United States.[1]

Our sugar program has worked. Domestic producers have enjoyed the benefits of price stability, and domestic consumers have enjoyed adequate and stable supplies. Not surprisingly, therefore, it is asked, "Why rock the boat?" The answer is Mr. Fidel Castro. He and his fellow Communists not merely rocked the boat; they sank it. Almost immediately after Castro came into power in January 1959, Cuba started to shift its sugar economy into the Communist orbit. This country reacted slowly. However, it finally recognized that Cuba was

[1] Special Study on Sugar, Committee Print, 87th Cong., 1st sess., Feb. 14, 1961, p. 14.

no longer a dependable source of supply for sugar, and in July 1960 provided that supplies should come from other sources. The United State must readjust its thinking on the entire sugar program to the realities of today.[2]

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID AGRICULTURE

Increased domestic sugar production would aid parts of American agriculture. Our agriculture is the envy of much of the world. It is basic to our economy, and has helped make us the best fed and clothed Nation in the history of mankind. It must remain strong if we are to continue to progress. Largely because of the productivity of our agriculture, we free men from the land to make the conveniences and luxuries we all enjoy. We now have only 9 percent of our population on farms, as contrasted to 45 to 50 percent in Russia.

Our farmers have increased productivity marvelously in the last two decades. Since World War II, farm output has gone up about one-fourth with no increase in total inputs. Also, food-processing industries have increased their output per man-hour by 40 percent. Thus, the American economy grows and the American consumer gains. No other consumer in the world gets such a break. American families buy more food, of better quality and wider variety, than any other families in the world, and do it at less cost in hours of work than any other families in the world. It is important that we keep this marvelous production plant strong.

At the present time, we have surplus production in agriculture, and agriculture is depressed. Resources will have to be moved out of agriculture if we don't find uses for them. This will be costly, in terms of uprooting families, disrupting local communities and retraining workers. To use some of these surplus resources in producing sugar should help keep agriculture strong while protecting our sugar supply. I would also help provide employment in rural areas where much surplus labor and low incomes exist and reduce costs of our aid to agriculture.

Increased farm and service labor would be employed. The number of local service jobs of all kinds is closely associated with the number of people employed in manufacturing. In a rural town the ratio of manufacturing to service employment is about one to one. With this ratio in mind, the employment growth of rural areas, because of an expanded sugar industry, will very probably be increased by between one and two service jobs for every manufacturing employment opportunity created.

Our Government is making sizable payments to keep agriculture strong. According to J. C. Bottum, noted Purdue agricultural economist, "The United States is spending between $4 and $5 billion annually in order to balance our agricultural production and markets, through programs to increase outlets and programs to adjust supply." To use some of our surplus agricultural resources in producing sugar should help balance our maladjustment of resources in agriculture while protecting our sugar supply and keeping agriculture strong.

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[2] Address by Lawrence Myers, Director, Sugar Division, U.S. Department of Agriculture, before the Sugar Club. Sugar Reports, No. 118, February 1962, p. 10.

Research has been largely responsibile for our outstanding agricultural productivity. If major research efforts were directed to the sugar industry, it is probable, based upon experience with broilers and other agricultural products, that the United States could become one of the low-cost sugar producers of the world while maintaining the high standard of living of American workers. Technological advances have already been rapid for domestic sugar crops. Man-hours of labor required to produce a ton of sugar have been sharply reduced in the past decade, and mechanization has been rapid. Yields per acres have risen a fourth or more since the end of World War II in mainland sugarbeet and sugarcane areas and in Hawaii.[3] It might be well to use more of our fine research facilities to improve sugar production instead of crops that are in surplus. We must keep our research scientists working to take care of our expanding population and keep us ahead in the food and fiber production race.

NEW AREAS CAN PRODUCE SUGAR EFFICIENTLY

Some areas have shown high ability to produce. Tests conducted by the University of Arizona have shown yields as high as 37.8 tons of beets per acre and sugar yield of 5.6 tons of sugar per acre.[4] The 1960 U.S. average yield under irrigation was 19 tons of beets.[5]

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID INDUSTRY

The administration is urging industrial expansion and increased employment. Expansion within the sugar industry would help meet this goal. It would help provide work in some rural low-income areas. Increased employment resulting from a new $12 to $18 million sugar plant in an area, use of local land, equipment, and supplies would all be beneficial.

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID CONSUMERS

Cuba has been a major supplier of sugar to the United States from the beginning of our modern sugar economy. In recent years, prior to mid-1960, our imports of sugar from Cuba amounted to over 3 million tons annually, about one-third of total consumption in the United States and some two-thirds of all sugar imported from foreign areas. The Cuban sugar trade with the United States has now been redirected toward the Communist bloc.[6]

The United States sold sizable quantities of wheat and lard to Cuba and imported sugar from them so they could buy our wheat and lard. For years, Cuba was the largest market in Latin America for U.S. agricultural products, notably rice, lard, wheat, and wheat flour. This market has been lost to the United States, and it appears desirable to offset this lost market by producing more sugar domestically. An increase in domestic production would help provide a dependable

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[3] Special Study on Sugar, Committee Print, 87th Cong., 1st sess., Feb. 14, 1961, page 3.
[4] Results of Beet Tests, Safford Experiment Station, University of Arizona, Tucson, Ariz., 1962.
[5] Address by Tom O. Murphy, Deputy Director, Sugar Division, U.S. Department of Agriculture at Kansas City Sugar Beet Seminar, Sugar Reports, No. 18, February 1962, p. 19.
[6] Special Study on Sugar, Committee Print, 87th Cong., 1st sess., Feb. 14, 1961, page 1.

domestic supply of sugar in the event of an international emergency, thus aiding consumers and following the purpose of the Sugar Act.

SUMMARY

We growers of agricultural commodities appreciate the help given to the American farmer by the USDA and the Congress of the United States. Many billions of dollars have been appropriated and research and educational programs have been supported. Land has been taken out of production with the aid of Government payments. However, surplus products still depress prices. The farmer has a low income compared to incomes of others.

Increased production of sugar within the United States would strengthen the economy of American farmers in new growing areas. It would help balance our maladjustment of resources in agriculture, help keep agriculture strong, and protect our sugar supply.

We reluctantly support the proposal of the sugar industry and the administration with this exception. Inadequate recognition is given to the new sugar-producing areas. We strongly recommend that the sugar bill provide that all of the annual growth in sugar requirements above 9,700,000 tons, in other words, the "growth factor," be retained for the domestic beet and mainland cane growers, to be divided 75 percent beets and 25 percent cane, and that new growing areas be granted annually 85,000 tons or such acreage as would yield 85,000 tons of sugar. This would provide for reasonable growth in established sugar-producing areas and at the same time provide sufficient tonnage for at least two new growing areas annually. Research has shown that many new areas can produce sugar profitably at present price levels. We urge you to give this opportunity to the American farmer.

I thank you.

Mr. POAGE. Thank you very much, Mr. Schenk. We appreciate your statement.

Now, we have three witnesses from New York State. We have very little time left. I am just wondering what the time situation is—if you would care to make a very brief statement at this time. I will try not to cut you off.

Is this Mr. Lattimore?

Mr. LATTIMORE. Yes.

Mr. POAGE. Mr. Aron is with you?

Mr. LATTIMORE. Yes, sir.

Mr. POAGE. We will be glad to hear you now. If you are going into some length, we may have to adjourn.

Mr. LATTIMORE. I will make it very brief.

STATEMENT OF PAUL LATTIMORE, REPRESENTATIVE OF THE REDEVELOPMENT AREA ORGANIZATION OF CAYUGA COUNTY, NEW YORK, AUBURN, N.Y.

Mr. LATTIMORE. Mr. Chairman and members: My name is Paul J. Lattimore. I am from Auburn, N.Y. I represent the Redevelopment Area Organization of Cayuga County, New York, and the Fin-

ger Lakes Sugarbeet Growers Association. The latter group is an oorganization of five counties of central New York.

Both of these organizations are interested in the development of a beet sugar industry in that area. Both organizations are listed among the groups for whom Frank Kemp so ably spoke on the first day of these hearings, in support of the domestic quota provisions of H.R. 11730. I should at this time like to file with the committee a statement of the reasons why we are interested in a beet sugar processing plant in central New York, and why we believe sugarbeet production in central New York is practical, both as far as farming and most importantly marketing.

As a supplement to that statement, I want to make three brief points:

(1) I want to reiterate our full support of the domestic quota provisions of H.R. 11730, especially the allocation for new areas each year of an acreage required for producing 50,000 tons of sugar approximately equivalent to the output of a new refinery. I believe we were the first—at least we were among the very first—of the so-called "new growers groups" to endorse the quota and new factory provisions of H.R. 11730. We recognize that all sugar legislation is a compromise. Naturally, we would like the acreage specifically reserved in the law for New York State, but we realize that is indeed impractical.

We also realize that it is utterly impractical to begin to satisfy all the demands for new acreage that exist in the United States today. We believe H.R. 11730 is an effective and workable compromise. We believe it is a very practical approach to a very difficult problem. We also have the feeling that when some of the groups that now are so much interested begin to investigate the cost of building new beet sugar processing factories and the market potential, some of their enthusiasm may dim.

(2) I wish to thank Mr. Poage for bringing out in the testimony yesterday that the aforementioned acreage will be offered first to new areas—for new areas that can make the best case, at public hearings for receiving it—before it is offered to established growers or new growers to be served by an existing factory. In his answers to Mr. Poage's questions on this subject, the Secretary of Agriculture suggested that it would be helpful if the committee could set some guidelines to help define a "new area" or areas which should get first preference in the acreage for building new plants. If it is practical, without jeopardizing the passage of the bill, to put such language into the law, we would favor such action by the committee. If that is not practical, however, I am confident that the legislative history Mr. Poage built up on that score and the word he received from the Secretary of Agriculture on that question will be respected in the future administration of the Sugar Act.

(3) Lastly—in his testimony yesterday, Mr. Creed expressed fears that an expansion of the beet sugar industry would deprive sugar consumers in the Northeastern part of the United States of their accustomed sugar supplies. I failed to follow his reasoning. In any event, his arguments are completely erroneous if the expansion of the beet sugar industry takes place in the Northeast section of the United States—and a beet sugar mill in central New York would indeed auto-

matically increase the supply of sugar available to the consumers of the Northeast.

A beet sugar mill in central New York would likewise insure to the regional sugar users a more stable and reliable supply not subject to the whims and hazards of distant sources. If Mr. Creed desires to improve the sugar supply in Northeastern United States, he must know that only beet sugar quotas at least as large as H.R. 11730, with special provisions for the allocation of acres for new plants as in H.R. 11730, will enable us to proceed with the development we plan for beet sugar production in central New York.

I thank the committee, and with your permission, I would like to have our written statement follow at this point in the record, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Lattimore. We appreciate your very practical and sound statement. We appreciate your cooperation, and without objection, your statement will be included in the record.

Mr. Aron, do you want to make a statement, or do you want to file your statement in the record?

Mr. ARON. I do not have a statement to make at this time.

Mr. POAGE. Any statement you care to make will be included in the record.

(Statement of Mr. Paul W. Lattimore follows:)

STATEMENT OF PAUL W. LATTIMORE, CHAIRMAN, REDEVELOPMENT AREA ORGANIZATION AUBURN LABOR MARKET, CAYUGA COUNTY, N.Y.

SUGARBEET PROGRAM FOR CAYUGA COUNTY

The Auburn Labor Market Area, which encompasses all of Cayuga County, has been identified as an area of persistent and substantial labor surplus by the Area Redevelopment Administration (ARA). On the instructions of the aforesaid administration the Board of Supervisors of Cayuga County established a Redevelopment Area Organization (RAO) whose purpose is to mobilize the best economic judgment in the community to diagnose its ills, prepare a prescription, and implement the said prescription.

The preliminary overall economic development program (OEDP) which the RAO of Cayuga County prepared was the first to be approved in New York State and was among the first of seven counties nationally to receive an approval of its program by ARA.

In the process of exploring solutions for its economic ills, the RAO received a suggestion from a local resident, Mr. Henry Stack, to investigate the possibility of a beet sugar refinery in Cayuga County. This proposal has been studied, analyzed, and discussed for the past 9 months. Our research and discussions have included talks with sugar refinery executives in charge of agriculture and manufacturing, academic, and governmental experts on agriculture and economics, farmers, consumers of industrial sugar and sugarbeet byproducts, sugar brokers, etc.

It should be noted that the "Special Study on Sugar, a report of the Special Study Group on Sugar of the U.S. Department of Agriculture," of the House of Representatives in considering the production possibilities of areas of new production specifically mentioned central New York as having suitable soils and climate for sugarbeet cultivation. (P52)

A series of experiments have begun in the spring of 1962 to determine the yield per acre and the sugar content of beets grown in Cayuga County. These experimental trials should establish whether the cultivation of the sugarbeet in Cayuga County could prove sufficiently profitable to the farmers to insure the minimum acreage required by a refinery. According to the Special Study on Sugar (P56) a modern factory to process 60,000 tons of sugar annually requires about 27,000 acres of sugarbeets. It has also been proposed to ARA that the engineering and market feasibility of a refinery in Cayuga County be studied simultaneously so that construction of the refinery could be initiated

without delay upon the expected satisfactory completion of the tests. In this manner, a beet sugar refinery could be in operation in Cayuga County by 1964.

Our plan to establish a sugarbeet refinery in Cayuga County is based upon the following facts:

1. The consumption of sugar is expected to grow substantially in the United States in the next decade. The "Special Sugar Report," projected sugar consumption on the basis of population growth. Once a level of income has been achieved as in America, changing income has little effect on sugar consumption. Based on a per capita annual sugar consumption of 97 pounds, the population projected for 1970 of 214.1 million people should require about 1¾ million tons more than present level.

2. Increased domestic consumption of sugar will necessitate increased production within the United States. When America's supply of sugar from Cuba was terminated, foreign not domestic sources took up the entire slack since domestic production of sugar could not be increased overnight. Every indication points to the probability that domestic suppliers will produce more than the present 55 percent of domestic consumption. It seems unlikely that there will be a shortage of available foreign sugar to meet the 45 percent of America's needs. However, consideration should be given to the impact of rising standards of living in countries whose per capita consumption of sugar is significantly lower than our own. The inability to meet the increased requirements for sugar from domestic sources when the Cuban sugar trade ceased indicates that sugar production cannot be increased automatically. Increased domestic production will provide a more reliable source of supply not subject to the whims and hazards of distant sources.

3. Among the new areas of sugarbeet production, Cayuga County looms as a distinct possibility. The special report on sugar which referred to Central New York as previously indicated projected an increase of 38,000 acres of sugarbeet planting in the Great Lake region, in the event that present price structure was maintained. The sugarbeet had been previously grown in this New York area about 50 years ago and this commercial experience and experimental work at that time indicates that sugarbeets can be raised in a satisfactory quality here. He reported yields were almost 50 percent higher than the national average at that time. However, the extremely high labor costs in large measure turned the New York farmer to other crops.

4. The technological and scientific changes that have taken place in sugarbeet agriculture, especially in the last two decades have so reduced the labor cost that beet sugar production in New York is once again economically feasible. The monogerm seed, the precision planters, the mechanical and chemical weed killers have already largely eliminated and in the near future may entirely eliminate the laborious hand blocking and thinning once required. The mechanization of harvesting, initiated after the Second World War, has now become predominant.

5. Professor Feuer, of Cornell University, estimated 300,000 acres suitable for sugarbeet production in an area within a 40-mile radius of Auburn covering, of course, the several adjacent counties. Preliminary discussions with local farmers indicate a keen interest in sugarbeet production and a willingness and readiness to participate in the experimental program. Discussions with farmers and research indicates the urgent need to develop an additional cash crop. The experimental program is being carried on in Cayuga County and several neighboring counties. Interest in the experiment was so greate that only a small fraction of the farmers who volunteered could be selected for participation in the experiment. This experiment is being carried on in close collaboration with a sugar refinery company and is being directly supervised by the Extension Service. Cornell University is conducting variety tests on its experimental farm and is actively participating in an advisory role on the experiments being conducted by the farmers.

6. In view of the large dairy cattle population of the area and the presence of a large feed processing plant nearby, a ready market is available for the sugarbeet byproducts, much of which is used as cattle feed. The beet tops will remain on the farm and can be feed to the animals or will be shipped to nearby dairy farms. The wet pulp, the remains of the beet after the sugar has been removed, can be used directly as feed or it can be dried and even treated with molasses and also used as feed. The molasses is likewise another sugarbeet byproduct which is either mixed with the pulp or sold separately.

7. Other byproducts have important industrial purposes and will find a ready market nearby. Sugarbeet molasses is used in the manufacture of citric acid, yeast, and antibiotics. The Steffens method of extracting sugar from molasses is a source of monosodium glutamate which intensifies the taste of food and also potash fertilizer and protein livestock feed.

8. The Northeast area is a deficit area as far as sugar. Based on the average consumption of 97 pounds of sugar per capita, a sugar refinery producing 60,000 tons annualy requires a market of 1,200,000 people assuming the industrial consumption is proportionate to national figures. Within 250 miles of Auburn, population exceeds 2 million. Moreover, a sugar refinery near Auburn will provide a stable source of supply for the many sugar-using industries in the area and help them to maintain and expand their activity.

9. Interest has been clearly shown by investors who are prepared to organize the capital required of approximately $15 million and to build and equip the plant.

10. The new sugar legislation should provide that a portion of the additional annual consumption should be allocated to new areas to support new refineries.

11. Upstate New York offers the best possible area for new sugarbeet growth:

First—because the market demand for sugar is strongest in relation to supply,

Second—because the market demand for the sugar byproducts can absorb the anticipated production,

Third—because it will provide the farmers with an important cash crop,

Fourth—because it will provide additional jobs to an area of substantial and persistent unemployment, jobs in the refinery, in the industries using sugar and beet byproducts, and in the commercial and service industries that will expand as farm income rises.

Mr. POAGE. Mr. Reifel requests that the statement of Mr. Dan Nohr, Yankton, S. Dak., and statement of Mr. A. F. Crook, Frankfort, S. Dak., be inserted in the record at this point.

(Statements of Mr. Nohr and Mr. Crook are as follows:)

STATEMENT OF MR. DAN NOHR, YANKTON, S. DAK.

Mr. Chairman, and members of the committee, I am one of a new group of sugarbeet producers representing 6,500 acres in southeastern South Dakota.

As a preface to my remarks, it should be pointed out that a member of your committee, Representative Ben Reifel, is the Congressman for our district and has been at the forefront of those pressing for more adequate consideration for the domestic beet producers.

Mr. Chairman, our producers are now in their second year and we can report highly favorable results from sugarbeets after a year's experience. We have found that our soil is well suited to sugarbeets and that when combined with proper amounts of water and favorable weather conditions, we can raise some of the best beets in the country.

Our growers, on the basis of our first year of experience, are anxious to increase existing acreage and many farmers not engaged in beet production are anxious to enter this promising field.

Our area is quite limited in the number of crops we can raise. Most of the crops which we now produce are in surplus and therefore are under allotments. Corn and grain sorghums are among our principal crops.

At the same time, our young people are being forced to leave the State due to lack of opportunity in agriculture and allied industries. This means that the tax burden falls on fewer people and the impact on our churches, schools, and other community institutions is detrimental.

At present we are forced to ship our beet production over 400 miles across South Dakota to the Utah-Idaho Sugar Co. processing plant at Belle Fourche. The transportation costs of this haul reduce appreciably the return to the producer.

It is our hope that this committee will adopt a sugar program which will give stability to the industry while taking into consideration the needs of new growers such as those in South Dakota who are now in the business of producing surpluses and who desperately need this opportunity to produce a good cash crop not in surplus that can be processed at a nearby plant.

Obviously, no sugar company is going to risk the capital necessary for the investment in a processing factory unless it is assured of a stable supply of the raw material and a stable market for it.

Our growers feel that if the interests of the taxpayer are to be uppermost in the minds of this committee during its consideration of sugar legislation, then you cannot fail to more adequately meet the needs of domestic growers and with them the special needs of new growers for enough acreage to make possible orderly expansion of the domestic industry.

I thank the chairman and members of the committee.

STATEMENT OF MR. A. E. CROOK, FRANKFORT, S. DAK., REPRESENTING THE JAMES VALLEY BEET GROWERS ASSOCIATION

Mr. Chairman, and members of the committee, it is a privilege to represent the James Valley Beet Growers Association. This year we have 2,800 acres of sugarbeets planted in our area.

We discovered last year, which was our first as beet growers, that our land is very good for producing sugarbeets and we do have a very sufficient water supply for irrigation.

We now ship our beets to the Utah-Idaho Sugar Co.'s refinery at Belle Fourche, S. Dak., which is about 300 miles west of us. Their refinery has been operating at less than capacity for the past few years because of the decrease in acreage in that area due to the shortage of irrigation water. Therefore, the sugar company has come to our East River area seeking additional acreage in order to operate their refinery at full capacity.

Of course, when beets are transported 300 miles, the cost is quite substantial. At the present time, there are only two loading stations in our area and it is necessary for some of us to haul beets from 20 to 30 miles to these loading points. This transportation problem is a large item and cuts into our profits considerably.

Mr. Chairman, and members of the committee, we are very much interested in seeing a sugar program established that will enable us to expand our operations in the eastern part of our State, where our farmers are large producers of wheat and feed grains now in surplus. We are hopeful that your committee will recommend and Congress will pass a sugar law that will extend at least 5 years. Such a law would enable all growers to make better farming plans and would enable the sugar company to extend a larger part of their operations to our part of the State.

I thank the chairman and members of the committee.

Mr. POAGE. We have yet Mr. William J. Bernard, of New York.

Mr. BERNARD. If it is more convenient, I can appear tomorrow morning—I am Mr. Bernard. If it suits the committee's convenience, I can return tomorrow morning.

Mr. POAGE. I am afraid we will have to do it that way unless you care to file your statement, because the committee does have to be on the floor.

Mr. BERNARD. I will be happy to return in the morning, sir.

Mr. POAGE. All right, Mr. Bernard.

Mr. McLain, we will hear you tomorrow. Fine.

That completes the activities of the day, and the committee stands recessed until tomorrow morning at 10 o'clock.

(Whereupon, at 12 noon, the committee recessed, to reconvene the following day, May 18, 1962, at 10 a.m.)

SUGAR

FRIDAY, MAY 18, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 10 a.m., pursuant to recess, in room 1310, New House Office Building, Washington, D.C., Hon. W. R. Poage presiding.

Present: Representatives Poage, Gathings, Jones of Missouri, Matthews, Hagan of Georgia, Dague, Teague of California, Short, Mrs. May, Latta, Findley, Dole, Beermann, and Fernós-Isern.

Also present: Christine S. Gallagher, clerk, and John J. Heimburger, counsel.

Mr. POAGE. The committee will please come to order. We are met this morning to continue the hearing on sugar.

We have representatives from the Southwest with us, our colleagues from New Mexico, Mr. Montoya, and Mr. Morris.

Mr. MONTOYA. I am submitting a statement for both of us.

Mr. POAGE. We will be glad to hear you at this time. This is Congressman Montoya, of New Mexico, who will submit a statement on behalf of himself and Congressman Morris.

STATEMENT OF HON. JOSEPH M. MONTOYA, AND HON. THOMAS G. MORRIS, REPRESENTATIVES IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. MONTOYA. Mr. Chairman and members, I want to thank you for the opportunity of appearing before you this morning with respect to sugarbeet production in the United States. I know that your schedule is full, hence I shall be very brief.

My people from New Mexico have heretofore appeared before this committee and have given a very succinct statement with respect to New Mexico's interest in this matter and I merely want to add generally to the testimony adduced by my constituents, to add to what has been said and will be said before this committee by other witnesses.

Mr. Chairman, were it not for the great State of New Mexico, it is quite likely that the scope of the hearings now being held by the committee would be considerably reduced. It was in New Mexico in 1922 that the U.S. sugarbeet seed production industry was born. This inevitably spurred domestic production of sugarbeets until today, when it is a stable cash crop in many sections of the country. In fact, sugarbeets are one of the best possible farm crops because they are easy to grow, and every byproduct is usable either directly or indirectly.

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Sugarbeets are kind to the soil, they are kind to the farmer, they are good for the refinery, and the sugar they produce is needed by the American people.

One might ask, Mr. Chairman, if these are the benefits, what is the problem? Simply stated, the problem is this: The American farmer just hasn't been able to produce more of this vital crop—and I emphasize when I say "more," that this is not an item of which we have an abundant supply, or even an adequate one. In actual fact, this is an item of which we are in short supply and the domestic beet sugar industry produces only one-fourth of the U.S. sugar requirements.

Mr. Chairman, satisfying the American sweet tooth is more and more becoming a sour task for existing beet sugar farmers, and those who would aspire to produce this item. Why can't our American citizens produce their fair share of the U.S. sugar needs, a need which is in the ascendancy at a time when imports of Cuban sugar have been reduced to more?

Who is supplying the sugar formerly imported from Cuba and why was this arrangement made? Is it not in the national interest to allow domestic beet sugar growers to have a larger share of this desirable market? Is it not in the national interest to bolster our domestic economy by so legislating that good cash crops which are not surplus items can be grown by New Mexico farmers who need the income? Is it not in the national interest to expand domestic sugarbeet production so that additonal refineries can be built and the resultant byproduct business increased? Is not New Mexico deserving of a multimillion dollar refinery and the additional jobs this refinery would bring?

Mr. Chairman, these questions are, in effect, our testimony. We leave the answers in the hands of the committee, knowing full well the New Mexico situation will receive your careful and sympathetic attention.

Thank you.

Mr. POAGE. Thank you very much, Mr. Montoya. We are delighted to have your statement on behalf of New Mexico and the Southwest.

We have several other members of the House and of the Senate with us today.

I see that your neighbor, Mr. Udall, is here. And we will continue with witnesses from the Southwest. Mr. Udall, we shall be glad to hear from you.

STATEMENT OF HON. MORRIS K. UDALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. UDALL. Thank you, Mr. Chairman. I, too, shall be brief.

The Governor of Arizona sometime ago appointed a committee to promote and foster the sugarbeet industry in Arizona. Mr. Floyd N. Smith, one of our prominent citizens and an authority in this field is chairman of that committee. He was scheduled to appear before you yesterday. At my suggestion and at the suggestion of the Governor I am here today to present testimony on behalf of the committee and on behalf of myself.

And I would ask, Mr. Chairman, in the interest of time that the statement of Mr. Smith, which has been circulated to the committee members and is now before you appear in the record at this point as though I had read it in full, and then with the consent of the Chairman I would make just a few brief comments.

Mr. POAGE. Without objection, the statement will be included at this point in the record. And may I say to Mr. Montoya and Mr. Morris that if they desire to add to their statements, that may be done.

(The prepared statement of Floyd N. Smith, follows:)

STATEMENT OF FLOYD N. SMITH, CHAIRMAN OF THE GOVERNOR'S COMMITTEE, STATE OF ARIZONA

My name is Floyd N. Smith, and I reside at 8520 North Central Avenue in Phoenix, Ariz. I appear before you today as a representative of the Governor of Arizona, who has established a committee to promote and foster the sugarbeet industry in our State.

In addition to being chairman of this committee, I have a definite interest in the problem as an Arizona farmer and as a representative of Arizona agriculture.

Sugarbeets thrive in Arizona. This fact is clearly demonstrated by the high yields of sugarbeet seed produced each year by Arizona farmers. We again grew more than half of the sugarbeet seed supply for the United States in 1961, and with an average acre yield of 3,257 pounds. Such production is possible only because the sugarbeet is well adapted to Arizona and our farmers know how to grow the crop.

The Arizona Agricultural Experiment Station has conducted research with sugarbeet production since 1948.

The results of sugarbeet production tests conducted in 1961, confirmed and extended earlier work on this crop. There is every reason to believe that the sugarbeet is naturally adapted to Arizona as a sugar crop. Consistently high yields of beets with a good sugar content indicate that this crop would be a profitable one for both the farmer and processor.

Sugarbeet experiments were conducted at the Mesa, Safford, and Yuma Branch Stations during 1960–61. These stations are located in three of the major farming areas of southern Arizona and represent a range in altitude from near sea level at Yuma, to 2,900 feet at Safford.

Arizona's irrigated valleys cannot compete with the rainfall areas of our country in the production of grain crops. The vegetable industry in our established agricultural areas has suffered greatly in the last few years. The only so-called cash crop of prominence is cotton. Due to our national surplus, cotton acreage is in a restricted category.

Without going into more detail, I can assure you farming in Arizona has become more and more difficult during the last several years. A substantial sugarbeet acreage would not only improve the economy of the State as a whole, but would also divert acreage now producing surplus crops to the production of sugar.

Arizona has 1,260,000 acres of the finest farmland in the country. Six hundred and forty thousand of these acres are irrigated by gravity flow waters. An additional 626,000 acres are privately irrigated by water pumped from the underground. The State has a more desirable climate, with fewer weather hazards than other areas in the country now raising sugarbeets.

A sugar mill in Arizona, centrally located, would have an added advantage over mills located in other States. Due to the climatic conditions in the State, the various producing areas would harvest their sugarbeets at different times, therefore, giving the mill a longer annual campaign.

In response to a recent questionnaire, 364 Arizona farmers have indicated a desire to plant 69,872 acres of sugarbeets. Incidentally, any one of three counties included in this acreage could supply a 4,000-ton-per-day slicing capacity mill. The high degree of interest among farmers and citizens of Arizona in being allowed to participate in the production of sugar cannot be over emphasized. It is among the most important and vitally needed commodities in our country.

Not only the American farmer, but the American public as well, feels that our domestic producers should have at least an equal right to expand and grow in this important commodity. Strange as it may seem, many people

throughout this country believe in the proposition that the American investor on American soil should have the same advantage and protection under the Sugar Act that an American or foreign investor on foreign soil should have, and that he should have the same right to expand home industry and home growth, particularly when the consumption is domestic.

We believe that the Nation should produce within its own borders a greater portion of its own sugar needs. The State of Arizona and those of us who farm there want the privilege of participating in this increased development.

We want this privilege without injuring our fellow farmers in other States who are now engaged in the sugar industry. We do not desire to interfere or hinder the efforts of others in established areas who wish to participate in the industry but have no present allotment. We believe this can be accomplished by allocating a portion of the former Cuban quota, plus the increased consumption, to domestic growers.

To continue to hold our own farmers down to a point of only producing about 20 percent of our sugar requirements seems grossly unfair in the face of the economic cost-price squeeze that is the farmer's lot in raising crops far less lucrative than sugarbeets. To restrict the American farmer from raising crops that are not in surplus does not seem to fall into the category of good judgment. We have only to pick up the newspapers to read of the farmer's economic plight and in the adjoining column read of another allotment of sugar quota to some foreign country. Is it therefore, not difficult to understand why the potential new grower of sugarbeets is crying out "unjust," "unsound," when he knows he could make a good profit if allowed to grow a few acres of sugarbeets yearly?

Additional factories must be built if the American farmer is to receive his just share of the sugar allotment. The processor industry is reluctant to spend $12 to $15 million to build a factory unless it is assured of the passage by Congress of a permanent sugar act, or one of not less than 5 years duration, containing language which would allow them to obtain and hold sugarbeet sales quotas and acreage allotments sufficient to guarantee full operation of the newly built factory.

It has been the thinking of this Government that American citizens investing capital in foreign countries, instead of in America, have done so at their financial risk insofar as the governments of foreign countries are concerned. Frequently these investments become subject to confiscation by foreign countries, and oftentimes fall into the hands of unfriendly governments.

Who is to forecast when another unfriendly communistic nation may appear on the scene and lead the people of a foreign country into a doctrine completely opposed to our American way of life? The American farmer should not be required to pay to investors in foreign countries the losses they suffer in an assumed-risk foreign investment. The American farmer should not be penalized by the denial of the right to produce a greater amount of our domestic sugar Congress of a permanent sugar act, or one of not less than 5 years' duratin, of our own domestic economy.

Farmers at home often ask me if this Congress will not pass legislation enabling them to grow sugarbeets, rather than to continue to let some foreign country produce the sugar we consume. They ask, "Will the Congress favor Americans in America, or will it favor a few with some foreign investments?"

Mr. UDALL. Thank you, Mr. Chairman. I, too, sympathize with this great committee in wrestling with the problem you have before you. I am confident that a permanent revision of the Sugar Act will come out of the deliberations. And knowing the members of this committee I think that it will be a solution that is in the best interests of American agriculture and in the best interests of our country.

I would point out a fact that I am not sure that the committee is entirely aware of and that fact is that Arizona is uniquely qualified to produce sugar. The only testimony we need in this regard is the fact that last year Arizona grew more than one-half of the sugarbeet seed supply for the United States. We had an average acre yield of 3,257 pounds. This clearly indicates that sugar production is possible in Arizona; that our climate resources are uniquely situated and uniquely comprised to make this possible.

Our farming economy is based largely on our irrigation. We cannot compete with the grain industry in those areas that rely on rains, but we can, through selective farming, take those crops which will produce high yield in the light of our climate and our soil conditions.

The only cash crop of any prominence in Arizona, Mr. Chairman, is cotton, but because of the national surplus cotton acreage is in a restricted category.

Without going into any more detail, sugarbeet acreage for Arizona would be a real shot in the arm for our farm economy and would, also, divert acreage now producing surplus crops to the production of sugarbeets.

My State has 1,200,000 acres of the finest farmland in the country. We have interests who are ready and willing to establish sugar mills in Arizona if we can get a long-range, permanent program that would justify the investment of $12 to $15 million that this would require.

Another factor and another argument we have for some allocation of the sugar growing capacity in our country is the climate. The sugar growing areas, the potential areas in Arizona vary in elevation from about 200 feet above sea level down near Yuma, near the Gulf of California up to 4,000 and 5,000 feet in some of the higher valleys. Because of this a centrally located sugar mill in my State would have an advantage in that the mill could have a longer annual campaign. The sugarbeets would be harvested over a period of several months, as against the situation in some other States where sugar comes into the market all at one particular time.

I think the feeling in my State is strongly similar to that in other areas, that if we are going to take a new look at sugar and divide up the allocations and give the American farmer a greater share of sugarbeet production than he now has, that this is the time to do it, and that our Nation should have a bigger share than the 20 to 25 percent that we now have.

I am well aware of the problems that the State Department and our President have. I recognize that we must take into account the needs of friendly nations. I am, certainly, not asking that all of the sugar needs of America be grown by American farmers.

I do think, along with my colleague from New Mexico, that the present allocation is unfair and that it should be increased, that is, the amount grown by domestic producers should be increased. And I hope that legislation will come out of these hearings so that my State will get some modest and reasonable share of this increased allocation to the domestic industry.

This, in essence, Mr. Chairman, is the position of the Arizona farming industry, the position of the Governor, and my colleage, the other halfe of the delegation, Congressman Rhodes, is in accord with the view expressed here. He previously appeared before this committee last year in support of legislation of this kind.

And so, again, I thank the chairman and the committee for giving me an opportunity to be heard.

Mr. POAGE. Thank you very much, Mr. Udall. I just wondered, when you referred to the 25 percent of our sugar being supplied domestically, about that. Actually, it has been 55 percent for a good many years. And the pending legislation provides for 59.71 percent, I believe, to be supplied domestically and a provision in the future for

63 percent of the growth so that there is in the pending legislation a rather substantial improvement of the position of the domestic growers.

Mr. UDALL. The chairman understood me correctly. I misunderstood the facts. I was talking about the percentage of beet sugar. I stated the matter somewhat incorrectly. And I thank the chairman for getting the correct facts in the record.

Mr. POAGE. Thank you. Are there any questions?

Mr. SHORT. The gentleman is right if he is talking about the proportion of sugarbeets sugar.

Mr. POAGE. Yes.

Mr. SHORT. In relation to the total supply.

Mr. POAGE. He is right in that respect in referring only to beet sugar.

Mr. UDALL. Yes.

Mr. POAGE. Thank you again very much. While we are still in this general area, I shall ask permission to insert a statement from our colleague, Mr. Aspinall and one from our colleague, Mr. Chenoweth, which without objection they will be placed in the record at this point.

(The statements referred to follow:)

STATEMENT OF HON. WAYNE N. ASPINALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. Chairman and gentlemen of the committee, I appreciate having this opportunity to come before you in behalf of the sugarbeet industry of the Nation generally and especially in behalf of the State of Colorado and of my own Fourth Congressional District. I am here to associate myself with my colleagues and others who are supporting larger quotas for the domestic beet sugar industry.

As the Nation's second largest sugarbeet-producing State, Colorado has a vital stage in the outcome of the legislation which is before you today. With its record high yield of 17.8 tons of beets per acre in 1960, Colorado produced a total of 2,762,000 tons of marketed sugarbeets from its 155,066 harvested acres. To sugarbeet farmers this production meant an income of $41,515,000 including processor and Sugar Act payments. In spite of the fact that Colorado did not enjoy the best weather conditions for raising sugarbeets in the 1961 season, it is estimated that the State's production still consitues around 17 percent of the Nation's total domestic sugar production from sugarbeets and 13.2 percent of the total sugarbeet production. For the interest of the committee, I am including some charts prepared by the Sugar Division of the Department of Agriculture indicating the nature of the Colorado sugarbeet industry.

In five counties of the fourth district, the sugar industry is basic to economic stability—it is more than a million-dollar industry. Besides the direct benefits flowing from this important segment of the western Colorado economy, many indirect advantages develop. The beets must be processed and transported—producing employment; the byproducts can be used for cattlefeeding—aiding another important agricultural industry of the State; and growth of sugarbeets helps to keep our soil healthy by crop rotation.

In fact, Mr. Chairman, this industry is recognized as such an important segment of the economy of my part of the Nation that last year—when it appeared that the Holly Sugar Factory at Delta was about to be closed—the interest of the public was aroused to save it. If the legislation requested is enacted, the expansion of our sugar quotas should be a substantial benefit to the continued operation and development of the plant. It is essential that domestic production be increased in the coming years if the people of my area are to continue to enjoy the many benefits of a healthy sugarbeet industry.

At the present time, the Sugar Act which is on our statute books has a threefold purpose. First, the act aims at making available within continental United States a favorable portion of our sugar requirements as a matter of national security and economic welfare. Second, it assures the American consumer of a steady and stable supply of sugar at reasonable prices. And, third, it is to encourage trade with friendly foreign countries.

I am sure there is no doubt in the minds of any of us here today but that domestic producers could very adequately handle a larger part of the American sugar market. The sugarbeet potential of the producing States is far beyond present production and marketing quotas. The primary task facing us involves the division of the American sugar market between domestic and foreign producers. And further, we must consider what other improvements can and should be made in the present law.

Estimates as to what would be a fair division of the American market between domestic and foreign producers vary; however, some adjustment is obviously necessary. Based upon the suggestion of some producers, the market should be divided so that domestic continental areas would supply 63 percent of the fixed market while the remaining 37 percent would be provided by foreign producing areas. Of the amount allocated to domestic producers, it has been suggested that at least 75 percent should be reserved for sugarbeets. In addition, quotas for mainland sugar cane producers, as well as those for Hawaii, Puerto Rico and the Virgin Islands, should reflect a realistic estimate of what these areas are expected to produce.

Provision should be made for greater domestic participation in the annual consumption increases which are estimated to amount to about 150,000 additional tons each year. The new measure should establish a system prorating deficits of any domestic area to other domestic areas—up to their ability to supply—before allowing these deficits to be assigned to any foreign producer.

Finally, it is essential that any new legislation be on a long-term basis. Long-term legislation would form the foundation for a stable, wholesome development which would insure the economic growth of the industry. If we are to have new factories, or if we are to recondition those already in existence, such as the one which is located at Delta, Colo., the American sugarbeet farmer must be able to depend on a fair share of the sugar allotment for a reasonable length of time. It is highly unlikely that private processors will invest large sums of money in factories or equipment unless there is some assurance that there will be a sufficient portion of the market to guarantee full operation of any new facilities.

Mr. Chairman, I again want to thank you for this opportunity to come before your committee to present this statement in behalf of the sugar producers of my district and the State of Colorado.

Estimated 1960 crop sugarbeet data

	United States	Colorado
Total sugarbeets marketed (tons)	16,602,000	2,762,000
Harvested acres	962,451	155,066
Tons beets per acre	17.3	17.8
Tons sugar produced (short tons, raw value)	2,475,000	[1] 500,669
Total value of crop	$230,525,000	$41,515,000
Processor payment	191,237,000	34,542,000
Sugar Act payment	39,288,000	6,973,000
Number of sugarbeet farms	24,219	4,206
Number of payees	39,092	8,548

[1] Includes sugar production from sugarbeets delivered from a few other States.

Estimated 1961 crop sugarbeet data

	United States	Colorado	Percent Colorado of United States
Total sugarbeet production (tons)	17,966,000	2,368,763	13.2
Harvested acres	1,088,000	165,576	15.2
Tons beets per harvested acre	16.5	14.3	86.7
Tons sugar produced (short tons, raw value)	2,450,000	[1] 429,000	17.5
Total value of crop	$255,396,000	$34,263,000	13.4
Processor payment	213,800,000	228,188,000	13.2
Sugar Act payment	41,596,000	6,075,000	14.6
Number sugarbeet farms	25,603	4,156	16.2
Number of payees	41,000	8,619	21.0

[1] Includes sugar production from sugarbeets delivered from a few other States.

STATEMENT OF HON. J. EDGAR CHENOWETH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. Chairman and members of the committee, the beet sugar industry is one of the keystones in the economy of the State of Colorado, where we are currently producing our 63d consecutive crop of sugarbeets for the production of sugar in commercial amounts.

Within the congressional district it is my honor to represent, sugarbeets are grown in 10 counties, principally in the Arkansas River Valley, extending across southeastern Colorado. There are two operating processing plants within the same area: the American Crystal Sugar Co. has a plant at Rocky Ford, and the National Sugar Manufacturing Co. has a factory at Sugar City. I am also happy to have in my district the main offices of the Holly Sugar Corp. at Colorado Springs.

The economic stability of this area hinges largely upon the health and vigor of the beet sugar industry, which has provided the many benefits of a dependable cash crop and has contributed largely to the development of substantial farming and livestock operations which form the base for our agricultural economy in southeastern Colorado.

The people whom I have the privilege to represent are intensely interested in the sugar legislation currently under consideration by this committee. As a group, our growers and our processors in my district endorse the provisions of H.R. 11730 pertaining to domestic quotas, division of the growth factor, and the proposed 5-year term.

I feel that we should produce more of our domestic sugar requirements in this country. I am very anxious to see additional acreage allotted to domestic sugar-producing areas. I am principally interested, of course, in beet sugar, and am pleased to note the allocation to domestic beet sugar is increased to 2,650,000 tons in this bill.

While this is considered an "old grower" area, we are nevertheless not a static area. We, as well as the many others from among our industry, and those from areas hopefully seeking to be allowed to enter the beet sugar business, strongly endorse those provisions of H.R. 11730. I feel this bill will enable a reasonable and continuing growth of the industry—a growth compatible with and somewhat in proportion to the general expansion of our national population and our national economy.

We recognize the validity of the ambitions of new growers, and new growing areas, as expressed in their petitions to this committee during the present hearings and on previous occasions. We believe that these people from various farming areas of our Nation are indeed seeking only that which is in the national interest—the opportunity to be productive members of the national community and contributors to a program to assure the American consumer adequate supplies of a critical commodity at all times, and at reasonable prices.

In addition to this, we recognize that the domestic portions of H.R. 11730 will serve the best interests of our own area. I believe that the domestic portions of H.R. 11730 can assist us in realizing our aspirations for the future, and enable us to strengthen our own position within the national beet sugar industry.

The ownership and management of the National Sugar Co.'s factory at Sugar City have informed me that they have plans for future expansion of their plant, and wish to develop it into a more efficient unit through investment of funds in capital improvements. These people wish to be assured that the national sugar program enacted this year will hold forth for them the opportunity to move forward with their plans to become a somewhat larger operating unit, which will provide farmers in the area the opportunity to increase their production of sugarbeets, as they now wish to do. It is my understanding that provision is made in H.R. 11730 for expansion of present factory capacities, as well as for the erection of new plants in new areas.

It is my understanding that officers of the National Sugar Co., and similar companies, are correct in their belief that the proposed legislation will enable them to improve and enlarge their operations during the 5-year term of the new law.

During the past few days, we have heard some entirely unwarranted attacks upon the national sugar program as it has operated during the past 28 years. There have been some manufactured aspersions cast in the direction of our Nation's domestic sugar industry. I would simply say that those people who have been responsible for some of these undeserved attacks upon our domestic sugar industry should visit the sugar-producing areas in Colorado, and in my district, to learn how misguided they are in their inaccurate assumptions.

Sugarbeets have provided more new wealth in our State—famed far and wide for its early history as a treasure house of gold and silver and other precious ores and minerals—than all the riches dug from our majestic mountains since the white man first came west. And while some of our buried wealth has been mined out, our soil is still producing new wealth every year.

Here lies the future of our country and of our people—in the dirt which they plow and plant and from which they harvest their crops. Here is that God-given resource upon which all the people of our Nation rely for the food and fiber to feed them and to clothe them and to keep them healthy and strong.

It is, therefore, not just important, but absolutely essential, that we in the Congress husband well this resource and devise and enact only those laws which will encourage and promote the welfare of our farming population. The beet sugar industry is an agricultural-industrial enterprise which has played no small part in the building of the West, once called the Great American Desert, but which is now a productive land which attracts new population as each year goes by.

I want to commend the committee on holding these hearings on this most important bill. I hope that the committee will report a sugar bill to the House at an early date, and strongly urge that the committee make no reduction in the quota provisions for our domestic areas.

Thank you, Mr. Chairman, for the opportunity to express my views on this measure, which means so much to the people of my district, and to the entire State of Colorado.

Mr. POAGE. We have one of our former colleagues with us this morning, who has gone to a higher seat in the Congress, Senator Carl Curtis. We will be delighted to hear from you.

STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator CURTIS. Mr. Chairman, it is a delight to return to the House of Representatives and to appear before one of your most important committees. I appear here for all of the Nebraska groups, and there are many that are organized in an effort to promote the sugar legislation.

Mr. Chairman, I appreciate the opportunity to appear here to discuss sugar legislation for 1962. My interest in this subject extends over many years. I want to express my sincere appreciation to the committee for going into this matter thoroughly this year. It is my hope that you can pass a bill in sufficient time so that the Senate Committee on Finance may hold hearings and after due deliberation take action on the House-passed bill.

Mr. Chairman, I am very grateful that the proposal before us increases the domestic sugar allotments. It is my understanding that the domestic quota will be raised from its present approximately 55 percent of our consumption to almost 60 percent. It is indeed gratifying that this much consideration has been extended to American agriculture. It is also my understanding that the bill provides that the domestic portion of the growth factor brought about by increased consumption will be raised from the present 55 percent to a near 63 percent.

We are told that if this portion of the bill becomes law it will be possible to expand the production of sugarbeets into new areas to the end that one new sugarbeet factory could be established every year during the life of the bill. For this much progress we are grateful.

Mr. Chairman, let us not proceed on the misunderstanding that this bill represents agreement on the part of those who comprise our do-

mestic sugar producing potential. This small increase may be acceptable to many of the "haves" in our domestic industry. It is not acceptable to the "have nots" who have a just right to engage in the raising of sugarbeets and the processing thereof.

For instance, in the State of Nebraska we have almost 2½ million acres of irrigated land. This is good land, capable of producing sugarbeets. Our last year's sugarbeet acreage amounted to only about 77,000 acres. Were we to assume that only one-third of Nebraska's irrigated land was acceptable for immediate sugarbeet production, we would still be able to plant only 1 acre of sugarbeets for every 10 or 11 acres of irrigated land.

To state the problem another way, Nebraska alone could produce the additional sugarbeets to supply the five new mills that are provided for in this bill during the next 5 years. In fact, Nebraska could do more than that.

Is there anyone on this committee who would suggest that we adopt a policy that the United States produce only 60 percent of our consumption of wheat, corn, peanuts, potatoes, cotton, or rice, and that we by law allocate 40 percent of our consumption potential to foreign producers?

Mr. Chairman, may I point out that by raising the near 60 percent provided in this bill for the domestic share of our sugar market by just one lone percentage point to 61 percent, we would have enough production to add an additional processing facility or mill for each new mill anticipated in the proposed legislation. In fact, this one percentage point would be more than enough for an additional sugarbeet factory each year. It would mean that during the life of this bill not 5 but 10 new processing plants could be constructed to serve new areas, and there would be some 45,000 tons left over each year to fill demands in existing areas. This is what would happen if the figure of 61 percent were used.

Mr. Chairman, if this 1 percent of our consumption is given to domestic producers it means that somewhere between 20,000 and 30,000 additional acres of beets can be raised each year in new areas over and above the increase provided for in the chairman's bill with almost that much left over for allocation to presently producing areas. It would likewise mean 35,000 to 55,000 acres less in production of corn, wheat, and other surplus grains per year or a total of nearly 200,000 acres less of surplus production over the life of the bill. What I am trying to say is, 1 percent more would be very significant to many, many farmers of our country and to many, many communities.

To provide for 10 new mills and additional business for our existing mills instead of the lesser number called for in the bill will add nearly $100 million in sound plant investment that will provide employment in production, processing, and transportation. It will add materially to local and Federal revenues.

One percent less in the foreign allocation, when divided among many foreign countries, is not significant. I am firmly convinced that the first requirement for our country in getting along with foreign countries is that we command their respect. No country in the world will respect us if we do not take whatever steps are necessary to provide for the well-being of our own agriculture.

Mr. Chairman, I also wish to voice my disagreement with that part of the pending legislation which abandons the country-by-country quotas for that portion of our sugar which we must buy abroad. This will be disappointing to some of our nearest neighbors who are our best friends. It will deprive them of that element of dependability that a specific quota for their country would give. It will add to turmoil and disappointment in Latin America. I urge that we adhere to the basic concept of our Sugar Act which has worked so well and has brought a profit each year to the Treasury of the United States. That profit is almost $20 million a year—the excess of the processing tax over the payments and other expenses of the act.

It has done this while it has furnished the consumers of the country sugar at a price which, when compared to the general commodity index, makes sugar the outstanding bargain in any shopping list.

I would be surprised if our foreign neighbors and friends would not prefer a few percentage points less in supplying our total consumption and have it on a dependable country-by-country quota basis, rather than a global quota upon which no country could make definite future plans.

While I have cited the example of what 1 percent increase in the domestic quota will do in terms of doing away with surpluses, creating new mills, employment, sound investment, I want to express the hope that this bill can be amended to provide that our domestic quota be 65 percent of our present market instead of the almost 60 percent carried in the bill; that the country-by-country quota be retained; and that we desist from experimenting with import fees or increased tariffs when the present system has been so outstandingly successful.

Mr. Chairman, that concludes my statement.

Mr. POAGE. Thank you, Senator Curtis, for a very interesting statement. You made a statement that fascinates me, and I am afraid that I did not follow you. I wish you would explain it to us a little more. I simply did not understand it.

You suggested that an addition of 1 percent would roughly double the expansion provided for in the bill.

Senator CURTIS. Yes, sir; it could, if applied to new areas. The reason I say that is this, with the Communist takeover in Cuba, acreage quotas have been taken off of sugar, and that could not affect the new areas, because they did not have it, but it has increased our production, so that we have actually produced more than 55 percent the last few years. But our quota is 55 percent.

It is proposed to raise it almost to 60 percent and that will give additional production, some five new areas can be reached with new plants.

By increasing that 60 percent or near 60 percent figure to 61 percent of consumption, you can take care of 5 more additional areas and they can have plants which would mean a total of 10, and you would have left over 40,000 tons of sugar to allocate to existing areas from that 1 percent. That is what it amounts to. And we would not be hurting the foreign countries to change their figure from 40 to 39 percent; in fact, if we passed the world quota provision there would be such a chaos that it will do more harm than good, anyhow.

Mr. POAGE. Do I understand correctly—I have not heard it expressed before, that it takes 3.7 percent increase, actually it is 7 percent increase—but do I understand that it takes 3.7 percent of the total quota to take care of the existing growers; that is, the increase they have made within the last few years?

Senator CURTIS. I could supply you with those figures. I had a technician assist me in this.

The question is raised, naturally, if a quota is 55 percent and you raise it to almost 60 percent, how come that you only get five plants? The difference is that we have already increased because of the collapse of Cuba. Also, that allows some increase—and I cannot give you the tonnage increase—for existing areas that will not require new facilities, but it will leave enough, if you go to almost 60 percent, to supply a mill in five new areas, so that by the time you reach almost 60 percent you have taken care of all of these emergency problems that have sprung up due to no acreage quota.

From that point on, a change of 1 percentage point of total consumption will give enough production; that this, allowing the usual accepted figures of 2 to 2.5 tons of sugar per acre, so that five additional mills can be provided for, and a sizable amount, it is estimated to be around 45,000 tons, to further add to the existing areas.

Mr. POAGE. That is 45,000 tons over a 5-year period—that is 9,000 tons a year—is that what you mean?

Senator CURTIS. I am inclined to think it is the first year, but let us stand on it as a total, and if I may have permission to do so, to add a clarifying line, because I do not want to mislead the committee.

Mr. POAGE. Certainly, without objection you can do so.

(Senator Curtis subsequently submitted the following to clarify his answer:)

My statement that this 1-percent increase would give us five new mills includes the use of the growth factor as set forth in the chairman's bill. It was my understanding from the letter and summary sent to the Congress by the Department that the new areas that could support a new mill would all be sugarbeet areas, consequently, my calculation is on the same basis.

Senator CURTIS. Yes, it is 45,000 the first year and less thereafter, but it will take several percentage points to take care of the problems that have arisen over the last few years, more or less of an emergency nature, but when you get to that point, then it really counts.

Mr. POAGE. As I see it, from the figures you are giving us—I am not questioning the figures—but as I see it from the figures you have given us you must take 3.7 percentage points to take care of the expansion that has already been made in the old areas.

Senator CURTIS. Not necessarily. That is expansion that has been made and that can be made without going into the new areas. You see, we have a situation in Nebraska where there are farmers who want sugarbeet acreage who are, perhaps, not any farther from an existing facility than other farmers who have a sugarbeet acreage allotment, and these farmers cannot get one.

Mr. POAGE. I know that. I have visited some of those States.

I know one situation in your own State where you have two sugar mills within 3 miles of each other owned by the same company.

Senator CURTIS. That is right. We have not had any sugarbeet mill expansion in years and years. We have had a tremendous in-

crease in irrigated land. On the south side of the Platte River, within 100 miles of my home, there are 300,000 acres of irrigated land substantially acceptable for sugarbeet production. And we have a quota of less than 3,000 acres.

The same thing is true in Mr. Dole's district. South central Nebraska and northern Kansas have newly irrigated areas. I say "newly"—some of it has been irrigated for 20 years.

In my home county the greater share of the irrigation is paid for by the individual farmers in rent, although we live in an irrigated district, too. And with substantially no opportunity to produce sugar. That is true in many, many areas in Nebraska.

So while I commend the chairman for the introduction of his bill allowing some increase, we have reached that mathematical point where a little more would really show up in extending the opportunity to have sugarbeets in new areas and more for farmers in all areas.

Mr. POAGE. I am sure you are familiar with the fact that the domestic cane industry and a number of the others, when they met in Washington asked for 61 percent. That was in a meeting recently in Washington. And as I get it, the figure that is now in the bill is something that would probably be acceptable to all.

I think the whole question then comes to a question of judgment as to whether we should try to drop the apple we have in hand in our effort to reach another apple.

Do you think that it is wise, knowing that there are more votes on the Atlantic seaboard than there were west of the Mississippi River—do you think it is wise to drop that apple that we have in our hand, that we think we will be able to eat, to try to grab some of those on the tree that are quite a ways up in the tree where we might very well, come down, breaking a leg, trying to get them?

Senator CURTIS. I understand your problem. I would like to point out two things: In the first place, there is no way that you can have an industry-Government agreement. The industry cannot speak for the have-nots. The industry has to get along with the Government. And so for a period of years they have been coming on bended knees, taking what they could get.

Here we are plagued with surpluses, and it is proposed in the future that we import 40 percent of our sugar.

The people on the eastern seaboard are taxpayers. They are carrying the burden of our farm program. And I think that if we proposed in one jump to go to 80 percent or 90 percent or 100 percent, what you say would be true. But the basic responsibility is on the Congress. We could raise this 2 or 3 or 4 or 5 percentage points and we would be rendering a service to the entire country.

Mr. POAGE. You have recommended that we raise it to 65, to make it 65–35—that means a 20-percent increase in the domestic share of the market.

I just wonder if you feel there is a real practical opportunity to do that.

Senator CURTIS. I definitely think there is a real practical opportunity of going above 60 percent. I think the Congress has the responsibility in agricultural legislation and in the Constitution—that we have a direct responsibility of regulating foreign and domestic commerce, and I just do not believe that any intelligent person would

advocate that we cut down on rice, cotton, and peanuts, and everything else to 60 percent of our needs and require by law to import 40 percent.

Mr. Poage. Let me ask you this: Do you think that we have the votes to get more than what was agreed on?

Senator Curtis. I would not know, because in the Senate now—and I serve on the Senate Finance Committee, which has juridiction of this subject—we have not had a hearing in years, because a bill has been sent to us in the closing days of the Congress with a "take it or leave it."

Mr. Poage. And if we do that same sort of thing again—if we get into that deadlock again, we just will not have a sugar bill. Your people in your State are in the same situation as those in my State, at least, many of them are. They would like to expand. They would like to get new mills. They are not going to get a new mill unless we pass a bill.

Senator Curtis. That is right.

Mr. Poage. If we extend this thing as we have been doing the last few years—if we simply get into a deadlock, we will not have a bill. We will pass some kind of extending legislation, of course, and we will continue just where we have been, and nobody will spend $15 million to build a mill—we will be right where we have been; every grower will be right where he is today—he can grow all he wants to grow, but he cannot sell it; therefore, it is not worth anything.

Senator Curtis. Let me say that I am very, very much in favor of extending the act. It is the best piece of agricultural legislation we have.

I pointed out a minute ago that it operates at a profit. I would not for 1 second desert any existing sugarbeet producer now in my State, but I cannot accept the doctrine that we should operate in fear. I think this is one of the most powerful committees in the Congress. I am satisfied that the chairman and the distinguished vice chairman from Texas, who is now presiding, and the majority of this committee, if they went before the Congress and defended the bill that gave us 62 or 63 percent, that the votes would be there to pass it.

I do not believe that anyone, the State Department or the Department of Agriculture—anyone has a right to say, "You take the increase that we offer you or nothing."

I do not accept that, and I do not believe that they would be supported by the American people.

Mr. Poage. Will you do this for us? You have told us already about this thing getting into a hassle the last night for a couple of years, and we regret that very much, and we are trying our best to avoid that now, but if we do in an effort to achieve what you are suggesting get into a hassle on the last night——

Senator Curtis. I do not think that is possible.

Mr. Poage (continuing). May we rely on you to explain that we were making an effort to do something for the sugar producers and that because we did not have unanimity that we did not get any legislation?

Senator Curtis. I do not think that follows at all.

Mr. Poage. I am asking about what you will do for this committee if we get into that position. I can see that we will get into that position.

Senator CURTIS. I think not—I think not.

Mr. POAGE. We have done it before. I fear we will do it again, if we follow your advice.

Senator CURTIS. No, I think that there are other factors that held up that bill before. I am not scolding anybody. That is water over the dam. But I think that the record will show that there were other factors that caused holding up the sugar legislation in years gone by. If an unreasonable increase was asked for, that would be true, but, surely, this Congress is not in the position where they must bow to any Government bureau that says, "take this much increase or nothing."

Mr. POAGE. It is not a matter of dealing with a Government bureau, but a proposition of dealing with the majority votes in Congress. We have substantial agreement of the existing division between foreign and domestic growers. You seem to suggest that we abandon that agreement and try to get more for the domestic growers.

Senator CURTIS. I do not think that you need to abandon the slight increase that has been offered to accept that doctrine. If so, the Congress might as well go home if you accept that.

Mr. TEAGUE of California. I just want to compliment the Senator for the contribution he has made to us and for the obvious great knowledge of this subject he has displayed. We appreciate it.

Senator CURTIS. Thank you very kindly. You have many witnesses here——

Mr. SHORT. I would like to commend the Senator for stating in our hearings some of the realities of what is going to happen to our domestic beet industry under the provisions of this bill. I am just wondering whether the Senator is, also, aware of the fact or recognizes that under the provisions of this bill, as I interpret it, we are holding forth a little bit of a false promise to some of these new areas, unless we are holding forth a false promise to some of the old areas in regard to these new mills that we are going to be able to build. If I understand rightly our domestic capacity to produce sugar—taking into consideration the increased technology in the industry—inasmuch as this quota is in terms of tons—over the next 5-year period we are not going, with the rather modest, and I would say very modest increases provided for in this bill—we are not going to have any additional acreage of beet production in the United States. Is that your understanding?

Senator CURTIS. You have expressed a point that is very vital. Some years ago we raised the portion of the growth factor that the domestic producers would have, the growth factor which increased by reason of the consumption by reason of the growth in population. It was predicted that would reach new farmers. It did not, because sugarbeet production—and I assume that sugarcane production, like all other aspects of American agriculture is moving forward—and the increase was enjoyed by the efficiency of technology of existing growers, which is something we should not deny.

Mr. SHORT. This is an important point.

Senator CURTIS. Yes, sir.

Mr. SHORT. If we are going to provide these additional acres in new areas year by year in an amount adequate to support a new plant, we are going to have to take some acres away from somebody who is already in the program.

Senator CURTIS. I think that would depend upon some unforeseeable factors, but, certainly, it is worth considering. And I do not pretend to be an authority.

Mr. BEERMANN. Will the gentleman yield?

Mr. SHORT. I will yield to the Chair.

I wanted to clarify this point.

Mr. POAGE. The Chair recognizes the gentleman from Nebraska.

Mr. BEERMANN. Senator Curtis, before being elected to the Senate of the United States, you served for many years in the House and your statement shows a thorough understanding of the problem.

On page 2 of your statement, in your recommendations, you provide for 10 new mills. I wondered if additional tonnages should be taken away from the importers, so that we do not have to take it away from the domestic producers.

Senator CURTIS. I certainly do not want anything that I said interpreted to mean that any existing domestic area should lose acreage which it now has. They are entitled to the additional benefits of technology in production. There are many of them that, perhaps, want an allotment and there may be people living reasonably close to a sugar factory—there is that consideration.

New areas should come out of the total consumption. Today we are faced with the same arguments against doing it when a few years ago we were told not to rob Cuba. Cuba is out of the picture. And there is still resistance from producers at home.

Mr. BEERMANN. When the Secretary of Agriculture testified before this committee I suggested, perhaps, another 20 mills of 50,000 tons each for domestic production. It would be much easier to allocate that amount rather than one mill a year. I feel that the committee should help the Secretary make his decision.

Also, there are many areas that are able to produce high quality sugarbeets. And that we should provide for greater domestic increase at this time.

Senator CURTIS. I thank you.

Mr. POAGE. Mr. Jones?

Mr. JONES of Missouri. In your statement you say, in fact, that this 1 percentage point ought to be more than enough for an additional sugarbeet factory each year. And then when you recommend that the figure be raised not to 61 percent but to 65 percent, would that add four more mills, which would be five each year?

Senator CURTIS. My personal feeling is that I would like it to be 65 percent. I used in my illustration the 1 percentage point. I used that in my illustration, realizing that it will be up to this committee to determine what it should be.

Mr. JONES of Missouri. When you say one mill for each additional percentage point——

Senator CURTIS. Per year?

Mr. JONES of Missouri. What?

Senator CURTIS. Per year?

Mr. JONES of Missouri. That is per year, but in your final statement you increased it to 65 percent and that would mean four more and that would be five mills each per year; would it not?

Senator CURTIS. Yes, yes; that is correct.

Mr. JONES of Missouri. It would seem to me that, frankly, I would want to check on that, to determine the accuracy of the estimate you have been given.

Senator CURTIS. I would urge you to get some check on it. I spent several hours having a technician going over these. And if there are errors in it I am more than anxious to know about that.

Mr. JONES of Missouri. I believe that there is a percentage point wrong somewhere there. That is what I am concerned about.

Senator CURTIS. You would agree that 61 percent domestic production would be better than 60 percent; would you not?

Mr. JONES of Missouri. From a selfish standpoint; yes. I would like a plant, too, in my area. I want to get this bill through. I want, at least, one new plant. And if we can get more, that is another thing.

You mentioned something about 35 to 55,000 acres which are in the production of corn, wheat, and other surplus grains. There is no provision, or, did you recommend a requirement that the additional sugar production come out of land that is now being used for feed grains and the like?

Senator CURTIS. Not necessarily, but speaking——

Mr. JONES of Missouri. The quota would have to be reduced.

Senator CURTIS. Speaking for my section of the country that would follow.

Mr. JONES of Missouri. We have excess acres that are not being used that we could put in.

Senator CURTIS. Irrigated land is an expensive operation. You have to make it produce as much as possible. And so far as the States for which I am speaking that would follow.

Mr. JONES of Missouri. Thank you.

Mr. POAGE. Thank you. We appreciate your being with us.

Now, is there anybody else from the western beet area that wants to be heard?

(No response.)

Mr. POAGE. If not, we have our colleague from Florida with us who will give us a little more discussion with regard to cane, rather than beets. We will be delighted to hear from you, Mr. Rogers.

STATEMENT OF HON. PAUL G. ROGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. ROGERS of Florida. Thank you. I appreciate this opportunity to appear before you, Mr. Chairman. I am not going to impose on the time of the committee. I know that you have many witnesses. You are going into this subject very thoroughly, and I would like permission to file my statement and the bill which I have introduced.

Mr. POAGE. Without objection, that may be done.

(The prepared statement of Hon. Paul G. Rogers of Florida, and H.R. 11800 follows:)

STATEMENT OF HON. PAUL G. ROGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. Chairman and members of this distinguished committee, I appreciate the opportunity to appear before you today in support of amendments to the Sugar Act. In appearing before you, I urge the committee to consider two alterations to the present Sugar Act: (1) provide an increased domestic marketing quota

for mainland cane producers, and (2) cut the portion of the foreign quota which was allocated to Cuba prior to the takeover of that nation by Communist Castro.

I have introduced legislation which would accomplish these purposes, and am hopeful that the committee will incorporate these provisions in any legislation which it approves.

We have learned from bitter experience that this Nation should not rely heavily on a foreign supplier for a commodity as vital to our national welfare as sugar. The Cuban situation has caused a long overdue reassessment of our sugar trade. It is time now for us to allot a greater share of America's sugar market to its own domestic producers.

Mr. Chairman, almost all of the sugar produced in Florida is extracted from sugarcane grown in my district. More than 200,000 tons of sugar were produced there from the 1960–67 crop by existing mills. New mills are under construction, and scheduled to become operative in the near future. These new mills and the cane plantings necessary to furnish them raw material—sugarcane—represent an investment of over $100 million.

The major portion of Florida sugarcane is grown in the rich mucklands of the Everglades. This soil ranks among the world's best for growing sugarcane. Not only is sugarcane a year-round crop in Florida, but crop production takes on added signficance by high yields of cane and sucrose per acre. Some of the offshore cane producing areas have higher tonnages of cane, but in those areas crop production requires 18 to 22 months. Yields of 70 to 80 tons of cane per acre are not unusual in Florida, and each acre of sugarcane averages 4 tons or more of raw sugar. Also, the cane lands of Florida are absolutely flat, and are therefore ideal for mechanical cultivating. Exceptional varities of sugarcane have been developed through privately financed research, and conversely, most of the mechanical equipment used in cultivating and harvesting Florida sugarcane have been specially designed to meet the unusual requirements of the area.

The free enterprise system of American capital and ingenuity have combined to develop this remarkable sugar-producing industry in Florida. This development has taken place in strict compliance with the provisions of the Sugar Act. The economic stability of this bright new facet of Florida's economy is contingent upon the enactment of legislation which embodies an increased marketing quota for mainland cane.

As this committee is aware, sugarcane growers and processors must be able to plan their future crops and plant requirements in advance. In Florida, four or more crops of sugarcane are harvested from one planting, and sugarcane planted now would still be in production in 1966.

The legislation which this committee is considering today does permit growth each year for the sugar resources of Florida. I think it is notable that all segments of the domestic sugar industry have labored to achieve unanimity, and the sugar interests of Florida are to be commended for contributing their fair share to this united effort. Florida and the other sugar producing States of America would be given a new lease on life if this distinguished committe approves an increase in the domestic sugar quota. Accordingly, this new legislation must include provisions for the security of all our domestic producers.

Mr. Chairman and members of the committee, I urge your most serious consideration of amendments to the Sugar Act which will provide and strengthen the entire economy of this Nation.

[H.R. 11800, 87th Cong., 2d Sess.]

A BILL To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: By striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such

three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) (1) for domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	2, 650, 000
Mainland cane sugar	895, 000
Hawaii	1, 110, 000
Puerto Rico	1, 140, 000
Virgin Islands	15, 000
Total	5, 810, 000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas;

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 has exceeded the sum of the quota for such area for such year established under paragraph (1) of this subsection and the quota, if any, established under section 203 for such area, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

"(b) for the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to sugar regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by sugar regulation 811 for the six-month period ending June 30, 1962;

"(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

"(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less seven hundred and nine short tons, raw value, for 1962 and less fourteen

hundred and sixteen short tons, raw value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba (subject to restrictions of paragraph (4) of this subsection)	88.85
Peru	3.73
Dominican Republic	3.31
Mexico	2.75
Nicaragua	.54
Haiti	.26
Netherlands	.14
China	.14
Panama	.14
Costa Rica	.14
Total	100.00

"(B) for the six-month period ending December 1962, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in sugar regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States a total of fourteen hundred and sixteen short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in sugar regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(4) notwithstanding the provisions of pararaph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to any country with which the United States is not in diplomatic relations, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph, shall be authorized for purchase and importation from specified foreign countries, as determined by the Secretary;

"(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that, if the Secretary determines that raw sugar is not reasonably available, sugars testing in excess of 99 degrees polarization may be authorized for purchase: *Provided*, That the processes of (i) affination or defecation, (ii) clarification, and (iii) further purification by adsorption or crystallization are applied to such sugars after importation;

"(d) whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United

States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he may apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he may apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 6. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e) (1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

"(2) The proration established for each foreign country, except Cuba, which receives a proration of more than ten thousand short tons, raw value, under section 202 (c) (3), may be filled by direct-consumption sugar to the extent of the quantity determined by prorating among such countries, in the same ratio that each country's proration bears to the total of the prorations for such countries, the quantity determined by applying 1.36 per centum to the quotas for foreign countries established under paragraph (1) or (2) of section 202(c) (3). The proration or allocation established for each foreign country which receives a proration or allocation of ten thousand short tons, raw value, or less under section 202(c) (3), may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 7. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble non-sugar solids of more than 5 per centum of the total soluble solids, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 8. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 9. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 10. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary".

(c) Section 302(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secrtary may take into consid-

eration the past production on the farm of sugarbeets, and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar within proportionate shares when in effect, and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield fifty thousand short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing."

SEC. 11. Section 408 of such Act is amended by striking out "(a)" at the beginning thereof and by striking out all of subsection (b) thereof.

SEC. 12. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

SEC. 13. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 14. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" and inserting in lieu thereof "1967" and by striking out "1963" and inserting in lieu thereof "1968".

SEC. 15. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 shall become effective upon the date stated in regulations implementing such section and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

Mr. ROGERS. I think it has been amazing that the sugar industry has been able to get together and come to some agreement, because all of us realize the importance of getting legislation through this year. I think the entire domestic industry, and Congress, as a matter of fact, has gotten together in trying to be helpful and in coming before this committee to present their views which I understand were presented the first day.

And, then, second, I am sure that there is agreement in the industry. Certainly, I feel in the Congress, in talking with many Members,

we must have an increase for our domestic producers. They have come together, agreed, and presented their views here.

And so I want to commend this committee for attacking this problem now so that we can get this legislation out. Certainly, we would, those of us who represent areas of the domestic sugar industry, certainly do all we can to stand behind and help this committee in gettee in getting this legislation through. Thank you, Mr. Chairman.

Mr. POAGE. Thank you very much, Mr. Rogers. And if there are no other Members of Congress present who desire to present statements, we will resume our regular schedule where we left off yesterday. I believe that the next witness is Mr. William J. Barnhard, counsel for the EVA Sales Co., Inc., of New York. We will be glad to hear you now, Mr. Barnhard.

STATEMENT OF WILLIAM J. BARNHARD, COUNSEL, EVA SALES CO., INC., WASHINGTON, D.C.

Mr. BARNHARD. My name is William J. Barnhard, a Washington attorney, appearing on behalf of the EVA Sales Co., Inc., New York, a food broker and importer of various food products including some which contain sugar.

I have a very brief statement that I would like to file for the record.

Mr. POAGE. Without objection, that will be done at the conclusion of your remarks.

Mr. BARNHARD. Thank you. I appear also, on behalf of the American Chamber of Commerce of Trade with Italy, an association of American businessmen which this week celebrates 75 years of service for American importers and exporters trading with Italy.

My testimony will be brief and directed exclusively to one section of this bill which appears to be something of a legislative "sleeper." I refer to section 5 of H.R. 11730 which proposes a revolutionary new concept in Sugar Act administration, although it has not been mentioned, so fas as I can tell, by any witness before this committee. I know it was not mentioned by Secretary Freeman when he testified here day before yesterday.

What section 5 of this bill does for the first time in the 25 years of the Sugar Act administration is to apply Sugar Act quotas and limitations and regulations to food products which contain sugar, without regard to the volume of that sugar content. This means that the Sugar Act would be complicated by including within its provisions shipments of butterscotch candies, chocolate candies, chocolate sirups, ice cream mixes, frozen fruits, preserves, marmalades, jams and jellies, cake toppings, pie fillings, and a variety of other products that happen to contain some sugar. Some of these are for retail sale, but the great bulk of them are essential materials for America's processing industries, including the baking confectionary, frozen food, and ice-cream manufacturing industries as well as many others.

It seems to me that to have the Sugar Division of the Department of Agriculture and customs examiners at the various ports of entry spend their time on these minute quantities of sugar contained in other products which do not hinder or directly affect the sugar market, in order to determine whether they are going to be chargeable or not chargeable against a quota, whether national or global, would add

tremendously to the expenditure of time and money in the administration of the Sugar Act without furthering the objectives of the act.

I think, also, the uncontrolled discretion which would be given to the chief of the Sugar Division by section 5 of this bill is the type of unfettered bureaucratic control which this committee has frequently rejected. What the Department is seeking here is congressional authorization for import restricting powers that go far beyond the provisions of section 22 of the Agricultural Adjustment Act or any other provision of the law.

In place of the equitable and effective procedure which this committee devised under section 22 and which the Congress put into effect, the power to impose troublesome roadblocks to world trade would be vested in the complete and unreviewable discretion of one official in the Department of Agriculture.

I sincerely urge this committee to persist in its refusal to grant such uncontrollable power to a USDA official.

In the 25 years of the Sugar Act administration it has never been felt necessary to apply Sugar Act controls to this type of product which may contain some sugar. There is no evidence and no testimony that this situation is any different today.

As I mentioned, Secretary Freeman offered no evidence or testimony to support this unique request for uncontrollable power.

No U.S. grower cited the need for restrictions or controls on this type of product.

Accordingly, I respectfully urge this committee to eliminate section 5 of H.R. 11730 or anything like it from the sugar bill which it will report to the House.

At the very least, if there is a feeling that the sugar content of these various products might possibly reach a level that could have an impact on the administration of the sugar bill—and this I believe is a contingency that is extremely remote—we urge that the application of sugar quotas to the sugar content of such products be limited to products which are in chief value of sugar. This is the test presently applied in determining the incidence of the internal revenue tax on imported sugar. Even this provision, I believe, would be unnecessary and highly complicated in enforcement, but if the committee thinks it advisable and appropriate the results could be achieved by amending the proviso which begins on line 3, page 10, of H.R. 11730 and inserting therein a phrase after, "in any other products or mixture" the phrase "in chief value of sugar."

I realize that the subject matter of my testimony is only a very minor aspect of this broad legislation which involves serious problems of quota allocations and is of great controversy.

It is my hope that the suggestions I have made here today will avoid introducing further and unnecessary complexities into the problem faced by this committee.

Thank you, Mr. Chairman. That completes my statement.

Mr. POAGE. Thank you very much, Mr. Barnhard. I do not think that the committee wants to impose any unnecessary controls anywhere. I think that there must be some. I agree with you entirely that there should be no unlimited discretion in anybody's hands.

Mr. BARNHARD. Mr. Chairman, I have felt all along that a product which comes in, which is subterfuge sugar, that is a product which

is sugar, to which some water or some syrup has been added in order to change its nature, this, obviously, is subject to the Sugar Act control and is now so subject.

On the other hand, a product which is primarily chocolate, chocolate sirup, or cocoa or butterfat or frozen strawberries which happen to contain some sugar, this, it seems to me, would tremendously complicate enforcement.

Mr. POAGE. Speaking for myself, I certainly agree that is true. As an example, if you brought in a can of corn which has some sugar in it, about one-half percent of sugar, we should not hold that up because it has sugar in it. Nobody will open that can of corn and boil the sugar out of it.

On the other hand, as you say, if somebody sends in canned fruit water with about 50 percent sugar, you have nothing but the water to take out, and I think, obviously, that can be done. I think that we must have the authority to stop that. I think there must be adequate laws to prevent the importation of these things that might interfere with the orderly marketing of our sugar but, certainly, there should be some degree of protection here for those who are importing products which contain sugar only incidentally.

Mr. BARNHARD. I thank you, Mr. Chairman, for your comments. I think you have stated the problem very succinctly, sir.

Mr. POAGE. Are there any other questions?

If not, we are very much obliged to you.

Mr. BARNHARD. Thank you again.

(The prepared statement of William J. Barnhard follows:)

STATEMENT OF WILLIAM J. BARNHARD, COUNSEL FOR THE EVA SALES CO., INC.

Mr. Chairman and members of the committe, I am William J. Barnhard, a Washington attorney appearing on behalf of the EVA Sales Co., Inc., New York, a food broker and importer of various food products including some which contain sugar.

My testimony will be brief and will be directed exclusively to one provision of H.R. 11730 about which little has been said. This is section 5 of the bill, which proposes for the first time to apply sugar quotas to the sugar content of products containing sugar.

The infinite variety of products which could be subjected to USDA control by enactment of this provision emphasizes the great and unnecessary complexities which this provision would introduce into the administration of the Sugar Act. The provision would cover imported butterscotch candies, chocolate candies, chocolate sirups, ice cream mixes, frozen fruits, preserves, marmalades, jams and jellies, cake toppings, pie fillings, and countless other food products which contain varying degrees of sugar. Some of these products are imported for retail sale, but the bulk of them are essential materials for America's processing industries, including the baking, confectionary, frozen food, and ice-cream manufacturing industries as well as many others.

To have the Sugar Division of the Department of Agriculture and the customs examiners of the various ports of entry spend their time on these minute quantities of sugar in products which do not hinder the sugar market, in order to determine whether they are or are not chargeable against sugar quotas, either national or global, would add tremendously to the expenditure of both time and money in administration of the act without furthering attainment of the objectives of the act.

Furthermore, the uncontrolled discretion given to the Secretary, or rather to the Chief of the Sugar Division, to determine whether or not the imports of such products might interfere with the attainment of the statutory objectives is the type of unfettered bureaucratic control which this committee has frequently rejected.

An example of such bureaucratic action was actually the occasion for the administration's decision to include this provision in its sugar bill, for less than a year ago the Sugar Division of the USDA actually imposed an embargo on an entry of a shipment of a butterfat product which contained a small amount of sugar. It was not until the Legal Division of the USDA concluded that such action was in contravention of existing law that the embargo order was revoked. It was then determined within the Department that the power they attempted to assert last year should be sought in this section of the pending sugar bill.

As a practical matter, the Department is seeking congressional authorization for import-restricting powers that would go far beyond the provisions of section 22 of the Agricultural Adjustment Act. In place of the equitable and effective procedure for the limitation of imports which this committee and the Congress have specified in section 22, the power to impose troublesome roadblocks to world trade would be vested in the complete and unreviewable discretion of one official in the Department of Agriculture. I sincerely urge that this committee persist in its refusal to grant such uncontrollable power to a USDA official.

In the 25 years of Sugar Act administration, it has never been felt necessary to include within the sugar-quota program this type of restriction on products that contain sugar. There is no evidence and no testimony that this situation is any different today. Despite the unique nature of this administration recommendation, it is notable that Secretary Freeman made no attempt to justify section 5 of the bill during his testimony before this committee yesterday. In point of fact, the minute volume of sugar which is contained in chocolate, butterfat, fruit, or other products that happen to contain sugar, could not have any descernible impact on the objectives of the sugar legislation.

Accordingly, we respectfully urge this committee to eliminate section 5 of H.R. 11730 from the sugar bill which it reports to the House of Representatives.

At the very least, if there is a feeling that the sugar content of these various products might possibly reach a level where they could have an impact on the administration of the sugar bill (a contingency that to me appears extremely remote), we urge that the application of sugar quotas to the sugar content of such products be limited to products which are in chief value of sugar. This is the test presently applied in determining the incidence of the internal revenue tax on imported sugar. Even this provision, we submit, would be unnecessary and highly complicated in enforcement, but if the committee thinks it advisable and appropriate, this result could be achieved by amending the proviso which begins on line 3, page 10, of H.R. 11730 to read:

"That the sugar and liquid sugar in any other product or mixture *in chief value of sugar* imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act * * *."

Mr. Chairman, I realize that the subject matter of my testimony is only a very minor aspect of this broad legislation which involves serious problems and great controversy. It is my hope that the suggestions I have made here today will avoid introducing further and unnecessary complexities into the problems faced by this committee.

Thank you, Mr. Chairman, That completes my statement.

Mr. POAGE. The Chair now recognizes Mr. Marvin L. McLain, of the American Farm Bureau Federation. We will be glad to hear from you.

STATEMENT OF MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. MCLAIN. Thank you, Mr. Poage and members of the committee.

We appreciate the opportunity to present Farm Bureau's recommendations for changes in sugar legislation. Our organization for many, many months has urged this committee and the Congress to make substantial changes in the Sugar Act to take account of changed conditions, including the needs of domestic producers for larger

quotas. These changes are long past due. We regret very much that the administration did not come forward early in 1961 with firm recommendations on changing the Sugar Act to aid domestic producers of cane and sugarbeets.

The need to find new uses for excess acres should be clear from the facts that close to $800 million was paid out in 1961 under the emergency feed grain program and approximately $1.250 billion will be paid out in 1962 under the emergency feed grain and wheat programs.

Many of our members desire to begin, or to expand, production of sugarbeets or cane. Since sugar is one of the few crops that is produced in deficit in the United States, it is extremely important that we do all we can to permit our farmers to increase their acreages of cane and sugarbeets as much and as quickly as possible.

Farm Bureau is an organization of over 1,600,000 farm families who are voluntary members of 2,674 county farm bureaus. As an organization with members in Puerto Rico and 49 States, including Hawaii, Farm Bureau has a very broad interest in sugar legislation. We represent both farmers who are now growing sugar crops and farmers who are interested in becoming producers of such crops.

As a general organization, we are also interested in sugar legislation from the standpoint of (*a*) the overall interest of agriculture and the Nation in international trade, and (*b*) the contribution that increased domestic sugar production could make toward a solution of the overall farm surplus problem.

The recommendations we are making here today reflect a reconciliation of these different points of view. They are based on policy resolutions adopted by the elected voting delegates from the member State farm bureaus at our December 1961 annual meeting, which read in part as follows:

> We continue to support the Sugar Act as a means of dealing with problems peculiar to the sugar industry. While the United States could produce its total sugar requirements, we recognize that international relationships must be taken into consideration in the development of sugar policy. The primary provisions of the sugar program do not relate to payments but to quotas that regulate the marketing of imported and domestically produced sugar.
>
> We recommend extension of the present Sugar Act for a period of years on a basis that will protect domestic growers. We favor provisions for:
>
> (1) Immediate and substantial quota increases for the mainland cane and beet areas.
>
> (2) A substantial increase in the domestic share of increased consumption due to growth, to be apportioned to all domestic sugar-producing areas.
>
> (3) Sugar production in new areas.
>
> (4) Such changes in the formula for reallocating domestic deficits as are consistent with changes in basic quotas and the growth formula.

On duration, we recommend that the Sugar Act be extended for 5 years—July 1, 1962, through June 30, 1967.

Some would like to have the act end at the end of the year. We do not have any pride of authorship. We think that it should be extended long enough so that we can get on with what we are going to do in our domestic situation.

CHANGES IN DOMESTIC QUOTAS

The basic quotas for domestic areas should be revised on the basis of a domestic consumption estimate of 9.7 million tons. Three of the five domestic sugar areas—Hawaii, Puerto Rico, and the Virgin Islands—have been unable to fill their quotas in recent years. Accordingly, the basic quotas proposed for these areas are approximately the same as their current shares of a domestic consumption of 9.7 million tons.

On the other hand, we propose substantial increases for the mainland cane and beet areas in recognition of their present and potential production.

The percentage of the 9.7 million tons we are suggesting for the domestic area is 61.13 percent. The breakdown would be as follows:

Beet area	2,665,000
Mainland cane area	900,000
Hawaii	1,150,000
Puerto Rico	1,200,000
Virgin Islands	15,000
Total domestic	5,930,000

May I say that this is where the combined group were that Mr. Kemp spoke for earlier in the hearing 2 or 3 months ago—they left this point, and because of various conditions that they spoke about, thought it advisable to recommend a lesser amount.

We still feel that the decision arrived at at that time was proper.

CHANGES IN THE GROWTH FORMULA

Under the present law, domestic sugar producers receive 55 percent of the growth in domestic sugar consumption above 8,350,000 tons.

In order to permit a further expansion of domestic production on an orderly basis in line with its long-range potential, we recommend that a provision be written into the law to reserve 67.5 percent of the growth above 9.7 million tons for the domestic continental areas. This would leave 32.5 percent of the growth to foreign areas.

The 67.5 percent reserved for domestic areas should be shared—75 percent by the domestic beet sugar area and 25 percent by the mainland cane sugar area until offshore domestic areas are able to overproduce their basic quotas. If in any year Hawaii, Puerto Rico, or the Virgin Islands produce more than their basic quota, they should in the following year, upon request, receive a quota increase equal to such excess, with the proviso that no such increased quota shall exceed the basic quota (plus growth) applicable under present law. All such increases in offshore domestic quotas should be charged to the foreign total.

It is very essential in order to permit further orderly expansion of the domestic cane and beet industry that we have adequate provision in the new Sugar Act for growth. We believe that the percentages we have indicated will more adequately take care of the needed expansion in our domestic industry.

The following table shows the quota breakdown by areas resulting from application of the growth factor to domestic consumption estimates above 9.7 million tons.

Estimate of domestic consumption

[Million tons]

Area	9.7	9.85	10.0	10.15	10.3
Beets	2.665	2.741	2.817	2.893	2.969
Mainland cane	.900	.925	.950	.975	1.000
Hawaii	1.150	1.150	1.150	1.150	1.150
Puerto Rico	1.200	1.200	1.200	1.200	1.200
Virgin Islands	.015	.015	.015	.015	.015
Total Domestic	5.930	6.031	6.132	6.233	6.334
Available to foreign countries	3.770	3.819	3.868	3.917	3.966

PROVISION FOR NEW GROWERS

At the present time there are no acreage restrictions on the production of sugar beets or sugar cane. The main restraining factor is the availability of processing facilities. If the proposed changes in the basic quota and growth formula provisions of the law are made, it will open the way for the construction of additional processing capacity.

Whenever restrictive proportionate shares need to be put into effect for either cane or beet growers, a fair and equitable distribution should be made to protect the interest of old growers and give new growers and new areas an opportunity to produce sugar.

May I say as one who has been in the department for 8 years—and this is not going to be different, I think, frankly, that this committee ought to do everything when it enacts this legislation to be helpful to the administrator, no matter who he is, because this will be a very difficult thing to handle.

In conclusion, we believe the recommendations we have made will provide the basis for a sound and defensible program for the orderly expansion of the domestic sugar industry. We have made no attempt to fill in the details with respect to future allocations to foreign countries, as such allocations obviously involve important international considerations.

We strongly recommend that this committee develop a bill designed to deal with the entire sugar problem on the basis of our suggestions as far as the domestic producers are concerned.

We, furthermore, urgently request that this committee act quickly so that a bill can be passed by the Congress before the June 30 deadline. In fairness to our farmers who are interested in producing sugarcane and sugarbeets and for the good of the whole Nation, it is important that we act quickly.

We appreciate the opportunity to present our views.

Mr. POAGE. Thank you, Mr. McLain. We are very much obliged to you for your statement.

It seems to me that we ought to give a little more consideration to the practicalities of the legislation than I believe you have given to it. You suggest that we act quickly. We all want to act quickly. That raises a practical question. Would you cut off hearings?

Mr. MCLAIN. No; I certainly would not—I certainly would not.

Mr. POAGE. Have we in your opinion been moving with reasonable dispatch, or have we been dragging our feet?

Mr. MCLAIN. No, sir. I would say that you have been doing right well this week, Mr. Poage. Obviously, their views have been presented several times by most of these witnesses. I am sure that you are knowledgeable people on this committee on sugar and understand very well what the producers in this country want.

The thing that concerns us—and this is why I am sure this committee understands—that if we do not move with dispatch, because of the time, we now are almost to the last of May—we are apt to end up as Senator Curtis indicated.

Mr. POAGE. I agree with you there, but the point is that it is so easy to come here and tell this committee that, "You ought to act with dispatch." Yet you want time to be heard. Apparently you hope that we will not waste any time hearing anybody else. I do not mean that you said that. But I think that I should ask, how could we speed this up. I am asking you. What would you suggest to the committee that we do that we have not done?

Mr. MCLAIN. I think that you were wise in confining the hearing to 2 weeks. We do not protest that at all, and to have 15-minute presentations for those other than the presentation by the Department people.

I would say this, too, Mr. Poage. I think that the Committee on Agriculture, this committee, ought not to worry too much about the views of the State Department in making the decision which you think is right and to take on the floor. I have faced this when I was in the Department. I recognize that they in the State Department are in a position where they have to make their views known, but you are representing the views of the great farming industry of this country. And when it gets to the floor the Congress will have its chance to have a look at it.

I am not so much worried if you get a bill out of here that is generous to the farmers that you will have any trouble passing it.

Mr. POAGE. Were you here when the State Department was here the other day?

Mr. MCLAIN. No; I was not—I regret that I could not be here that afternoon.

Mr. POAGE. I wonder if anybody got the impression that the present chairman was trying to accept the provisions of the State Department?

Mr. MCLAIN. I heard that you did real well.

Mr. POAGE. On this question of the tonnage provision. You are suggesting that we allot 15,000 tons more than is allotted by the bill to domestic growers; that is right, is it not?

Mr. MCLAIN. Well, we stayed with the 61.13 figure.

Mr. POAGE. I know, and I break it down and you say to the beet areas, 2,665,000, and the bill says to domestic beet sugar, 2,650,000.

Mr. MCLAIN. That is correct.

Mr. POAGE. So you are suggesting 15,000 tons more to the domestic beets than the bill gives; are you not?

Mr. MCLAIN. That is right.

Mr. POAGE. For mainland cane, you are suggesting 5,000 tons more than the bill gave; is that not right?

Mr. McLain. That is right.

Mr. Poage. A total of 20,000 tons a year more for domestic production of cane and beets than the bill provides.

Mr. McLain. That is right.

Mr. Poage. And yet you go above the 61 percent. You suggest that we take for domestic areas, you suggest for the domestic area 61.13.

Mr. McLain. Right.

Mr. Poage. Senator Curtis just told us that if we take 61 percent more for the domestic areas, we could supply another mill—that we could supply sugar for another beet sugar mill each year; did he not?

Mr. McLain. That is what I understood him to say.

Mr. Poage. Your figures do not indicate that, because 15,000 tons is not enough for a mill, not a third enough. Yet you are suggesting that we take something more than 61. He said that if we would allot 61 percent, that we could build an extra beet sugar mill every year. But your figures indicate that you would not get an extra beet sugar mill but once every 4 years as a result of this, or about every 3½—every 3½ years.

Mr. McLain. He did not indicate in his statement, Mr. Poage, what part of his quota would go to Puerto Rico and Hawaii. If he cut that back, it would make a difference. I want to be sure we are fair to Senator Curtis.

Mr. Poage. That is the explanation, I expect.

Mr. McLain. Our important difference from what is in the bill is the growth factor. We are suggesting 67½ percent. The Administration's bill has 63 percent. We have to start from where we are and we think it is important that as we get a higher percentage of growth than you have in the Administration's bill. We would certainly be in favor of even having it above the 67½ percent if you want to put it there.

Mr. Poage. And of course, as you raise that growth factor, and it has been suggested we give all the growth factor to the domestic——

Mr. McLain. We have not said that.

Mr. Poage. I know you have not, but that has been suggested.

Mr. McLain. That is right.

Mr. Poage. Obviously, to the extent that you give a larger and larger percentage of that growth factor to the domestic producers, the seaboard refiners handle a smaller and smaller percentage of the total as the years go by, do they not?

Mr. McLain. This is correct, but again, I think the people that are going to vote on this thing in the House, and that is what you are interested in, have a stake in the taxes that they are paying to take care of the shift that we are making out of some of these other crops. I put it on that basis. I think that with the amount of money we are spending to cut back in other areas—feed grains, wheat, and many other areas—we ought to do all we can, and we can defend this with the consumer congressmen from the East on that basis.

Now, there are some problems here. We recognize this. This is why we do not say 100 percent.

What I am saying, Mr. Poage, is if this committee that represents agriculture does not get in here and pitch, we are going to be whipped on this thing.

Mr. POAGE. Let us have your opinion on this thing—if we do not get in here and pitch, the implication being that we have run out on the farmers.

Mr. MCLAIN. No.

Mr. POAGE. Let us find out just what is going to help these farmers. Will the farmers—you are suggesting, I think rightly, that we should make some provision for these new growers in these new areas. Will they get any help if we do not pass a bill? Will our American farmers be helped if we demand so much for them that we get nothing—or that we wind up as you have suggested that we have twice done with a simple extension?

Mr. MCLAIN. No; but I think we have been through this twice and I am sure, Mr.——

Mr. POAGE. We have been through it and I fear we will go through it again unless we stick pretty close to the division which has been accepted by the industry. Senator Curtis was through it a minute ago. But now I want your opinion.

Do you think it is a probability that we may get up here to the last night and extend this legislation as it now stands for another year. You suggested as much a while ago. If we do that, won't we wind up with "all of nothing" for the beet growers? I am trying to get "part of something."

Mr. MCLAIN. I can say this: If this committee decides to bring this bill out so that it is really going to benefit our farmers, I think we can get it passed on the House floor and our organization will do all we can to get it done.

Mr. POAGE. Do you seriously think that you can get more votes from the beef-growing Plains and Mountain States than they can get on the Atlantic seaboard? Is that what you are saying?

Mr. MCLAIN. We have some influence in other places, and what I am saying is, I do not think this is such a big issue as people have made it. If we can get it out of this committee on what we think is a proper basis, I think we can get it passed on the House floor.

Mr. POAGE. I want to get your opinion on that, because——

Mr. MCLAIN. We will sure help you.

Mr. POAGE. And you are willing to take a chance on not getting any bill?

Mr. MCLAIN. Yes, sir; to me this idea that we are not going to have a bill I do not buy. I agree with Senator Curtis.

Mr. POAGE. Let us find out why you think we are going to have a bill. If you think that it is assured why did you feel that it was necessary to warn us about the June 30 deadline?

Mr. MCLAIN. I think if this committee does their duty, and I am sure you will, Mr. Poage—I do not want anything I have said to indicate we do not think you will, because you have done just as much to get this bill as our organization has.

All I am trying to say is we are going to try to be helpful to you to do it so as to benefit our farmers.

Mr. POAGE. I am not wanting to argue with you. I am trying to get at where we stand and why we think these things will happen, because I am not as convinced or as optimistic as you are about these things. I have gone up that hill twice, I have come down that hill at midnight twice. I do not want to do it again. I know why we

did it; I know why we are likely to do it again; I know that if we get into a situation where we have a sharp conflict of interest, we are not going to get a new bill this year; and I know that if we do not get a new bill, there are not going to be any new mills built in the Panhandle of Texas, in Nebraska, in North Dakota, or in the State of Washington or anywhere else, because nobody is going to sink that money unless they have a new bill.

You agree with that, do you not?

Mr. McLain. Yes, sir; I certainly do.

Mr. Poage. Therefore, I know if we are going to help new growers at all, we have got to have a bill. And I learned a long while ago that if I could not get all of what I wanted, sometimes it is helpful to get part of what I want. I believe in the old philosophy that a part of something is a good deal better than absolutely all of nothing. And I just think that by demanding just a little more than has been agreed upon you are likely to wind up getting us all or nothing.

Mr. McLain. I do not think what we have asked for is all that we ought to be asking for. We have moderated in what we think really ought to be done. Of course, we realize that there is compromise in this. But all I say is, let us not compromise too much, Mr. Poage.

Mr. Poage. I think that is the real crux of the issue with all of us. You ask us to hold out for 15,000 tons more for beets and 5,000 tons more for domestic cane that we feel sure we can get. What is an effective compromise? What is one that is going to get maximum results?

Mr. McLain. That is right.

Mr. Poage. Well, now, why do we need to compromise? Why do we need a bill at all?

Mr. McLain. Obviously, if we get nothing but a simple extension——

Mr. Poage. Why do we need an extension? Why do we need a sugar program?

Mr. McLain. Our organization feels that it has worked satisfactorily and we would like to have it work better.

Mr. Poage. It has; I think so too, but I know how easy it is to kill a sugar bill the last night.

Mr. McLain. It has been good for the consumer and everybody.

Mr. Poage. Let us explore that a moment. If the sugar program had not worked very well, you do not think the people in Nebraska or the Panhandle would be interested in a sugar mill? They could not use a new mill if we did not have a sugar program, could they?

Mr. McLain. I do not think they would under the circumstances—to the same extent, at least.

Mr. Poage. You do not think they would be interested in investing the money to build one if we did not have a program?

Mr. McLain. I think that is right.

Mr. Poage. In other words, by having a supply management program, we have brought into being in this country an industry that a good many people would like to get into, under supply management. That is right, is it not?

Mr. McLain. In a deficit-produced crop.

Mr. Poage. That is right; a lot of people would like to get into it. And you will agree that we could produce all the sugar that we need in the United States here, if we go far enough in the direction of con-

trol. And you ask us to go just a little further than we have proposed.

Mr. McLain. I think it would be wrong to try to do that too quickly.

Mr. Poage. Oh, I do, too, but it could be done?

Mr. McLain. That is right. I think it could. I think it would take a few years eventually to do it.

Mr. Poage. That is right; they would have to take time to get into growing?

Mr. McLain. Yes.

Mr. Poage. So we have made supply management work?

Mr. McLain. Well, of course, there is a vast difference with deficit-produced crops, Mr. Poage.

Mr. Poage. Let us see how much difference there is. I think it is right important that we get that into the record, just what that vast difference is. This is a crop which at the present price you think probably would not be produced in sufficient volume in the United States to supply all of our needs, but that if we put on more restrictions and further limited the importation or absolutely cut out all the importation of any sugar into the United States and ran the price high enough that we could produce all we need in the United States and do it at a pretty good profit—a pretty good return to the producer, too.

Now, producers want a share in that production, even under the present situation. They have to have some proportionate part, or quotas, just the same as we have to have in cotton, and there is just as much scramble for the right to grow sugarbeets as there is for the right to grow cotton. In fact, I find some farmers wanting to change their cotton allotments into sugarbeet allotments. So there is just as much demand for it and you have to restrict the production. As far as the individual is concerned, his production is restricted just as much in sugarbeets as it is in cotton, is it not?

Mr. McLain. Well, under the normal activity, it is. Of course, in the last couple of years it has not been.

Mr. Poage. But you favor restricting production on each farm in the United States on sugarbeets just the same as we now restrict on cotton, do you not?

Mr. McLain. We are for the Sugar Act, Mr. Poage; have been all the time.

Mr. Poage. So supply management is not necessarily bad when applied to sugar?

Mr. McLain. When you apply it to deficit crops, it works very well.

Mr. Poage. It is only bad as to some crops?

Mr. McLain. I think a deficit-produced crop is the exception.

Mr. Poage. I have taken too much of your time. You have explained just how it makes no difference to this individual producer whether it is a deficit-production crop or a surplus production crop, when he is limited in his production on his farm. Just what possible difference does it make to the farmer? His acreage is restricted just the same.

Mr. McLain. I think that the agitation that the limitations cause are not materially different, but, of course, when you are dealing with a commodity that you have the tariff problem with, if you did not have a program like this, and our international relations all taken into consideration, it makes quite a different picture than we have with a surplus-produced crop like cotton.

Mr. POAGE. Maybe we could have a surplus-producing crop in sugar if we limited importations as strictly as we are limiting importations of wheat or cotton, would we not?

Mr. MCLAIN. You would have to guess at that.

Mr. POAGE. Do you not think sugar would be just as much of a surplus crop as cotton is if, in fact, we put the same limitations on importations?

Mr. MCLAIN. I suspect, over a period of time. I am not as optimistic that we could do this overnight, because there is much money involved in the processing facilities, as all you people know, and this is quite different than it is with some of the other commodities we produce in surplus.

Mr. POAGE. Thank you.

Maybe there are other questions.

No? Thank you very much, Mr. McLain.

Our next witness is Mr. Oreste Ramos, president, Puerto Rico Farm Bureau.

STATEMENT OF ORESTE RAMOS, PRESIDENT, PUERTO RICO FARM BUREAU, ACCOMPANIED BY FRANCISCO LOPEZ DOMINGUEZ

Mr. RAMOS. As president of the Puerto Rico Farm Bureau, and in representation of the sugarcane growers of our island, who produce around 65 percent of our sugar crop, and most of them are members of our organization, we highly appreciate this opportunity to present the Puerto Rico Farm Bureau's views with regard to the new Sugar Act under the consideration of this honorable committee.

The sugar industry of Puerto Rico has always been the most important industry in our island. Its impact on our economy is outstanding. At present it is the most important source of employment: around 100,000 workers are annually directly employed in this industry, not counting the many thousands indirectly employed in connection with it; 15,000 farmers and their families depend on the sugarcane cultivation for their living, and it generates a gross income of over $160 million per year to our economy.

During the last 4 years our sugar industry has been facing difficulties due to causes beyond the control of the industry itself.

Let us briefly examine the sugar quota situation in Puerto Rico since 1934:

In the year 1934 our quota, including local consumption, was about one-quarter million tons less than the 1934 sugar production. Between 1939 and 1942, our sugar production increased about 300,000 tons, thus reflecting even more the inadequacy of the quota assigned to Puerto Rico.

The original Sugar Act was revised from time to time and during the war period quotas were suspended. In 1947 steps were taken to amend and extend the Sugar Act in order to bring its terms in line with postwar conditions.

The new law fixed quotas to the domestic areas and left the growth of sugar demand largely to Cuba. We objected to this arrangement in view of the fact that the quotas which were proposed were based largely upon the 1937 act formula. Eventually we agreed to the fixed-quota method and the Sugar Act of 1948 was enacted. The surplus

situation which followed the enactment of this act, confirmed the inadequacy of the quotas assigned to our island under the 1948 act. This surplus problem, although alleviated somewhat by large deficits in other areas which permitted the sale of our quota surplus sugar, moved us to work for an amendment of the act to secure a more equitable quota. This was finally done in 1951, when our basic quota was raised by 170,000 tons. This increase did not become effective until 1953, when the island had a surplus of over 250,000 tons of sugar.

After nearly 25 years free from destructive hurricanes, we were badly hit by Hurricane Betsy on August 12, 1956, which caused great damage to the sugarcane plantations. The unprecedented unfavorable weather conditions during 1957 and 1958 brought a decrease in our cane production. This and other adverse factors disheartened many farmers who abandoned sugarcane planting and did not renew their plantations.

The Puerto Rico Farm Bureau, the Chamber of Commerce, the Association of Sugar Producers, as well as farmers individually, are joining efforts with agencies of the Government of the Commonwealth and of the Federal Government, in an effort to overcome difficulties and lift the industry to the high levels of production of which it undoubtedly is capable. There is no reason why this cannot be done. We have the climate, we have the soil, we have the know-how and the determination to carry out our purpose.

Sugar technologists, who are very well acquainted with our sugar situation have prepared a forecast of the estimated growth of sugar production that can be expected in Puerto Rico during the period 1962 to 1966, according to plan now under way as follows:

Year	Area (thousand acres)	Sugarcane production		Production of 96° sugar (thousand tons)
		Per acre-tons	Total, million tons	
1962	350	35.0	12.3	1,353
1963	360	36.5	13.1	1,441
1964	365	37.0	13.5	1,485
1965	365	37.5	13.7	1,507
1966	365	38.0	13.9	1,529

We are already making progress in line with this forecast. The crop of 1961 has shown an increase over the crop of 1960 from 10,000,728 to 10,754,017 tons of cane, and from 1,006,385 to 1,095,751 tons of sugar. The yield of sugar per acre has increased steadily from 2.74 tons in 1957 to 3.38 tons in 1961. There can be no doubt that the decline has come to an end, and that we are now in the upward trend.

This is the result of vigorous energetic effort that has been put forth within the last 3 years, along the following lines, among others:

1. New lands of a higher productivity than those which have been abandoned are being planted to cane. This means also the elimination of old ratoons which had come to the end of their profitable production;

2. New techniques in planting, fertilization, and cultivation are raising yields per acre;

3. More intensive fertilization and more appropriate fertilizer formulas are being used;

4. New higher yielding varieties are substituting old canes of lower yield;

5. Mechanization of cultivation and harvesting is making possible more intensive cultivation, more efficient harvesting of the crop, and more timely planting of new crops, compensating for the shortage of labor usually experienced during the harvesting season, which is also the appropriate time for new Primavera plantings.

We have been informed of the proposal to limit the sugar quota of Puerto Rico at 1,140,000 tons. We feel that this limit is too low and the figure should be at least 1,200,000 tons. This provision, predicated on the wrong assumption that Puerto Rico will be unable to increase its production during all these years, is contrary to reliable forecasts, and therefore unjustified.

The fact that due to adverse transitory circumstances, and a disheartening of the planters, our production has declined during the last 4 years, does not mean that we do not have the ability to produce, and are fatalistically resigned to accept this condition as permanent. On the contrary, there is a reawakening and a determination to overcome the adverse factors that have brought this situation about.

The Puerto Rico Farm Bureau hereby presents vigorous opposition to all intents of reducing, freezing, or in any way preventing the sugar quota of Puerto Rico from benefiting of the growth formula, as now established in the current Sugar Act of 1948, as amended. Freezing our marketing quota now would look like a deliberate action to deprive our farmers of their legitimate right to improve their economic condition by increasing their sugarcane production. This period of adversity should not be taken as an excuse for barring our way to progress. If quotas were to be restricted, there would be no incentive to new plantings, and we would be condemned to remain static.

Besides, any failure in filling our quota for the next year will not affect permanently any other area, as the deficit would be distributed among the domestic areas. Freezing our quota will cripple us permanently, or at least for a protracted period of time in the most important crop we can produce.

For the aforementioned reasons, the Puerto Rico Farm Bureau requests that in the new Sugar Act to be considered in the present sessions of Congress, the sugar quota apportioned to Puerto Rico in the act now in force, remain unchanged and that Puerto Rico be allowed to participate in the increase in national sugar consumption.

DIRECT CONSUMPTION SUGAR

In regard with the refining of our sugar production, the Puerto Rico Farm Bureau, at its annual meeting of November 19, 1961, unanimously approved a resolution requesting from the Congress of the United States that in the new Sugar Act, Puerto Rico be allowed to refine all the sugar produced in the island.

Under the terms of the present Sugar Act, we are only allowed to refine a very small part of our sugar production. To be more exact, last year we were permitted only to refine around 25 percent of the total of sugar produced in Puerto Rico. In absolute figures, this means around 278,000 tons of sugar divided as follows: 148,000 tons for the U.S. market, and 130,000 tons for local consumption.

We expect in the coming years, according to the projections made by our technicians, if normal conditions prevail, a sugar production per year of over 1,400,000 tons of raw sugar. This means that, if in the new Sugar Act, the amount of sugar to be refined in Puerto Rico is limited as it is at present, we will be allowed to refine only less than 20 percent of our sugar crop.

For the sake of justice we feel confident that this restriction in our refined sugar production will be eliminated in the new act under discussion of this honorable committee. In our opinion, in the near future, we will be in a position to refine all or most of our sugar crop, if not arbitrarily restricted. We see no good reasons why this cannot be done. Right now, with minor changes in our plants, we could refine twice as much sugar as now permitted.

Mr. Chairman, how can this committee deny Puerto Rico the opportunity to refine now this year, in 1962, at least 50 percent of our sugar production?

We honestly believe that the refining of our total sugar production in our island would result in great economic benefits to our sugarcane growers as well as to the general economy of the island. We have the facilities and the necessary experience to perform this vital task, but present restrictions are restraining the natural development of our sugar industry and depriving our economy of all the profits that should be received from this industrial process. This means a loss of several millions of dollars for our economy, every year.

It occurs to me, Mr. Chairman, that Congress will be very unjust to North Carolina, for example, if they say, "All right, you may grow your tobacco, but you can't have factories there to manufacture cigarettes; you have to send your tobacco to California or Pennsylvania to be manufactured into cigarettes." That is the same thing that occurs now in Puerto Rico with regard to sugar.

If the purpose of this restriction is to protect the refining industry in the States, this would imply discrimination against an American community in favor of a relatively small group on the continent committing a great act of injustice to the detriment of the image of our Nation before the world. This has been branded, and rightly so, by the enemies of our Nation, as pure and simple colonialism. And it is colonialism, in one of its most classical aspects: economic oppression which was one of the outstanding causes of the war of independence of the United States. We suffered this kind of discrimination under the Spanish regime, which was finally corrected by the Act of Grace of 1815, due to the efforts of our deputy in the Spanish courts, Mr. Ramon Power, who was vice president of the courts. This charge which is being brought against our Nation in Latin America and elsewhere, is proving to be quite an effective weapon to create and increase distrust on the part of those countries, in our good purpose in our dealings with them. There is no justification for endangering our international relations, where there is no good reason for it.

The refining of our own sugar is a factor of major importance in our economy. We are under great need of expanding our industrial establishment to provide work for our people, and to increase our gross national product. It would mean not only additional employment, which we badly need, but also more income for the farmer, as they

would be paid on the basis of refined sugar, instead of raw sugar as now; also, more income to the Commonwealth government for general expansion and improvement of public services.

The chamber of commerce, labor organizations, Lions clubs, Rotary clubs, and many civic organizations, as well as press editorials which I have here with me, have expressed their endorsement to the necessity of securing the right to refine all the sugar we produce.

Editorials and cartoons appear in the two leading newspapers of Puerto Rico almost every 2 weeks on this situation of the refining of our sugar in Puerto Rico, Mr. Chairman.

Right now the Alliance for Progress program is being vigorously pushed by our Federal Government to help underdeveloped countries in Latin America to improve their economy and their social conditions. We have been making progress in improving our condition, but we are far from attaining a comparable level of development with the other domestic areas. The fact that we are American citizens, and we are proud of it, should not militate against us, jeopardizing the help to which we are entitled, and which we need, to reach as soon as possible the standard of living of other areas of our Nation. The refining of our sugar would be of considerable help in this direction, and there is no valid reason for denying it to us.

If you look at the question from the standpoint of mutual benefits, consider the figures of our trade with the States. For the year 1960–61, we imported from the United States, merchandise of many kinds to the amount of $761,227,229—while our total shipments to the continent came only to $661,172,607—a balance in favor of the mainland commerce of $100,054,622. It is evident that we need to develop our resources at least to the point where we may be able to wipe out this unfavorable balance.

Of these importations food products took $166,870,038, which is a considerable item in the economy of the mainland farmers, who are at present looking for outlets for their products. Other importations of great significance were wearing apparel and textiles, for the amount of $113,536,966. In motor vehicles our purchases reached $40,063,449, and in building materials, $38,567,626. Cigarettes and tobacco products imported into Puerto Rico from the mainland amounted to $35,327,436. Other articles of manufacture including other items make the balance.

We are then very good customers of practically all articles produced in the continent. In the amounts in which we may be able to increase our income, our purchases from your farmers and manufacturers will increase, as we import very little from other sources. Producing and refining as much sugar as we can will be the means to increase our gross income and to buy still more from the mainland.

From every angle you look at it, fair play, good international relations, justice to fellow American citizens, and good business, restricting our sugar quota, and arbitrarily limiting the refining of our own sugar, would be unjustifiable measures that will not do anybody any good. Please remember, these are no times to appear before the world as still holding on to the vestiges of colonialism, which by definition implies imperialism. We hate to hear this charge against our Nation, and it is very painful not to be able to reject it entirely.

We know that the Congress of the United States of America is in the best disposition to correct any defect or deficiency in the present sugar legislation. We hope that our recommendations, fully backed by reasons of justice, will help this committee in the consideration of the new sugar act, so as to recognize the Puerto Rican rights we are claiming in this matter.

Thank you very much, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Ramos. I would like to ask you if you would be willing to go back to the days when we had no sugar program when your people and all other people in any part of the United States produced all the sugar they wanted to, refined it any way they wanted to and sold it for whatever they could get for it, in competition with everybody else?

Mr. RAMOS. I remember those days, Mr. Chairman. They were very, very bad days.

Mr. POAGE. Do you want to go back to them?

Mr. RAMOS. No, sir.

Mr. POAGE. Then you do feel that the supply management program of sugar has been helpful in Puerto Rico as well as in other parts of the United States?

Mr. RAMOS. Yes, sir, but it can be improved.

Mr. POAGE. I beg your pardon?

Mr. RAMOS. Yes, sir; I do think so; but I think it could be improved, though.

Mr. POAGE. Well, how would you suggest to us as Members of Congress that we go about getting votes of those people who would lose their livelihood if we import more refined sugar? Obviously, you cannot import this million tons of sugar in refined form without closing some of the sugar mills that are now in existence, can you?

Mr. RAMOS. No, sir. I do not agree with you. Closing sugar mills?

Mr. POAGE. The sugar refiners on the Atlantic coast, the Pacific coast, and the gulf coast. Some of those would have to close down if we import this million tons in refined form, would they?

Mr. RAMOS. A million tons, I do not think would close them.

Mr. POAGE. A million tons is about 20 percent of what they are refining, is it not? It is a little more than 20 percent; it is about 25 percent of what they are refining. You would cut off about 25 percent of their business.

Now, can all of those refiners continue to exist there with a loss of 25 percent of their business?

Mr. RAMOS. What about the refiners in Puerto Rico?

Mr. POAGE. Let us get to them. You have discussed them. I am asking you right now how you expect us to get the votes of the people who represent the seaboard refiners that are going to be closed down.

Mr. RAMOS. Well, it is a pity that we do not vote in Puerto Rico.

Mr. POAGE. I know, but you do not get legislation through the Congress, Mr. Ramos, without getting votes. Now, you do not serve your people by coming here and simply jesting with us and giving us such answers as that you do not vote because the fact is that you are not going to get legislation unless somebody gets the votes. I am asking you how we are going to get them.

Mr. RAMOS. I thought we could get legislation by improving the act in the way that we suggest.

Mr. POAGE. I am asking you how will we go out and appeal to the man in Boston, the man in Baltimore, the man in Houston, in New Orleans, and in Savannah, where there are sugar refineries and where they are important to their economy. They say, "Why, we do not have to have this bill at all; we would just as soon refine sugar from the Dominican Republic as to refine it from Puerto Rico; we would just as soon refine sugar from Brazil or India or anywhere else; it is all the same to us. But we are willing to go along with you and give you a bill if you do not hurt us. "But it is awful hard to get those people to go along and give us a bill if we are going to put them out of business. I am asking you how we are going to get their votes if we have to hand them something that says "This is going to cut 25 percent of your business off."

Mr. RAMOS. Mr. Chairman, I cannot answer that question, really, because I am not a politician. I do not know how to get votes.

Mr. POAGE. Now, Mr. Ramos, those industries are in being and we are going to have to close them if we follow your suggestions, are we not? You are suggesting that you ought to be allowed to build new industries that are not in being. You do not have the capacity to refine a million tons of sugar a year, do you?

Mr. RAMOS. Sir, we have a capacity to refine at least 50 percent now.

Mr. POAGE. My question is, you do not have the capacity to refine a million tons of sugar a year, do you?

Mr. RAMOS. No, sir.

Mr. POAGE. Of course not. So you are going to have to build this capacity, and if we follow your suggestions, we are going to have to abandon existing capacity, build new capacity, and does it make very good sense?

Mr. RAMOS. I will let Lopez Dominguez, who is a member of the Board and a technician, answer your question, if he may, Mr. Poage.

Mr. POAGE. Certainly.

Mr. DOMINGUEZ. It is like this, Mr. Chairman: As you have said, that could not be done overnight. That could not be done overnight; that would take some time to build that up. In the meantime, consumption here is going up at the rate of 150,000 tons a year. So it would not amount, it would not mean to close refineries, it would mean to have a share in this growth of consumption.

Mr. POAGE. This bill gives you a growth of about 10 percent during the next 5 years if you can produce it. This bill allows you to go from 1,200,000 to 1,310,000 tons if you can produce it.

Mr. GATHINGS. Mr. Chairman, will you yield there?

Mr. POAGE. Yes.

Mr. GATHINGS. According to the figures here they have not produced as much as a million tons for any year in the immediate past.

Mr. POAGE. I know that. This bill starts them with 1,200,000 tons, which is far more than they have been producing.

Then it allows you to go up to 1,310,000 tons if you can produce it. Now, there is nothing in this bill to cut you off of a reasonable growth that I can see. It is true that is handled in a different manner from the other growth factor, and that is because of the fact that you have

had this continuing deficit. It seems utterly unreasonable to assign a quota and then immediately declare a deficit and know you are going to declare a deficit every year.

So we have taken care of it, here, that you get a growth of approximately 10 percent if you can produce it.

Mr. DOMINGUEZ. May I say something, Mr. Chairman?

Mr. POAGE. Now, on the other hand, there is not anything in this bill that is going to let vast areas of the United States grow 1 pound of sugar, because even with the five mills that are suggested here over the continental United States, there will be a great many States that will not even have a sugar mill in them and they simply cannot engage in the sugar industry at all, although they have the capacity to produce, just the same as you have, and they have the capacity to increase, but they will not have the opportunity. This is done in order to protect your grower as well as all other growers.

You cannot have controls without restricting something. Somebody is going to get restrictions that they do not like when you have controls. Yet these controls are beneficial to you and beneficial to the whole industry. If you want to abandon the controls, that is an entirely different thing and I am willing to talk about it, but you yourself just said that those days of no controls were mighty bad.

That is the great difference of opinion here on the general farm bill. There are people who say, "Oh, now, let's don't have any controls." I am perfectly willing to wipe out every control in the United States, Mr. McLain. I am willing to wipe out the controls on cotton; I am willing to wipe out the controls on wheat; I am willing to wipe out all controls, sugar and all the rest if our farmers want to vote for that. I want to give them the right to vote on it, and I am willing to abide by what they vote, and if only one-third of them want to wipe them out, I am willing to wipe them out and give them complete freedom and let them do the best they can.

And I am willing to do the same thing for you, Mr. Ramos. I am willing to let you grow all the sugar you want to and sell it on the world market. But if you are going to have these advantages, you are going to have to take some of the disadvantages.

Mr. RAMOS. Mr. Chairman, I have not meant that I do not want controls. I want controls and we need controls in sugar legislation; sure we do. But we want the controls in the same measure and in the same way that you have in the continental United States, because we are 2,300,000 American citizens and we deserve the same treatment as in the mainland. I am for the controls.

Mr. POAGE. Now, Mr. Ramos, you are getting to grow a whole lot more sugar than my State gets to grow. My State gets to grow 1,900 acres. You are doing a whole lot better than my people in Texas are doing. You cannot have controls without having them pinch somewhere.

Mr. RAMOS. Mr. Chairman, Puerto Rico's economy depends mainly on sugar. We do not have rich subsoil as you do in Texas. I wish we had some oil, some mines, something like that. We depend mostly on sugar.

Mr. POAGE. There is no oil in my district. We depend mostly on cotton and we have controls on that.

Mr. RAMOS. We want controls, Mr. Chairman. Maybe I have not made myself clear. We need controls; of course we do. I remember the days when we did not have controlls in the sugar business. It was awful. They saved the situation at that time. But I repeat, we want controls in the same measure and same way that we have up here in the States.

Mr. POAGE. Then if you ask for that, certainly, if you ask for the same kind of treatment that my people get in the State of Texas, we will certainly have to cut you back from what you have been producing, because that is the basis on which they assigned us shares of sugar. If we cut you back on what you have been producing, you will not get 1,210,000 tons——

Mr. RAMOS. We have been producing sugar for 400 years now.

Mr. POAGE. I understand, but you have not been producing 1,210,000 tons of it, and if we cut you back from what the bill gives you, you will suffer a greater burden than you suffer from the terms of this bill.

Mr. RAMOS. Mr. Chairman, you are just right; I agree with you. But we are not making any point in the quota of Puerto Rico. We asked for 1,200,000. That is what you say the bill provides. That is all right. We are for that. Although we have been cut back, if you put 1,200,000 tons, that is all right, and we agree to that.

Mr. MATTHEWS. Mr. Chairman?

Mr. POAGE. Yes, Mr. Matthews.

Mr. MATTHEWS. Mr. Ramos, I have enjoyed very much your testimony.

Mr. RAMOS. Thank you, sir.

Mr. MATTHEWS. I agree with what I believe our chairman has been saying. I think our problem is natural. You want to represent your people and you are doing a wonderful job. But all of us have our States to represent, too, and frankly, sir, our people think they are being rooked; they do not think they are being treated like they should be treated.

Mr. RAMOS. I understand that.

Mr. MATTHEWS. I think what we want so much for you to understand, sir, is that it is not an ideal situation for any of us, that we all are going to have to give and take, and I felt a little bit sensitive here today to think that maybe we are going to be criticized now and we are going to be called imperialists, because maybe we cannot give all of your people exactly what they want.

You know, down in my section, we seceded from the Union one time and we did not get what we wanted, and we were glad we are back in now.

Mr. RAMOS. We are not going to do that ever.

Mr. MATTHEWS. I think again and again, a very important point and a very necessary point, of course, to remember is that in your instance, maybe you cannot have your sugar and refine it, too; that you are going to have to make concessions and I am going to have to make concessions, and we all are.

Now, it just so happens that in my district in Florida, we do not grow any cane for sugar production. But my people tell me that in the Everglades of Florida, we can produce enough sugar to feed the world.

Now, Mr. Short and Mrs. May represent the beet area. Their people probably say constantly, "why do you have to give Puerto Rico and why do you have to give the Philippines, and why do you have to give the other countries that are producing sugarcane all this possibility and not give us more? What I think is awfully important, sir, is for you and our wonderful fellow Americans in Puerto Rico to realize that there are two sides of this coin, that we all have to give and take. That is all I wanted to say.

Mr. RAMOS. Thank you very much. I think you are right, Mr. Congressman. But we have thought about this very, very deeply. As I said before, and I want to repeat it now, I am very proud of being an American citizen, very proud of that. As I told our Governor, the other day, in discussing this situation, I said to him, "Well, Governor, I feel very bad when I hear, and I have heard on the radio Mr. Castro charging the United States with imperialism and colonialism and he has only one point, just one black mark, that he points to, and it is this one, of the refining of sugar in Puerto Rico." I feel very, very bad about it, because—well, I cannot answer that, I cannot explain it. That is the only black mark that he is pointing at. And Khrushchev has done that, too.

I thought, as an American citizen, it was my obligation, and as a Puerto Rican, to bring this before this committee.

Mr. MATTHEWS. And sir, you have done an excellent job. I would like to add this: Of course, if Castro did not fuss about this, he would have something else to fuss about. And we Americans—Puerto Ricans, Floridians—all of use will have to be knowledgeable about that and we realize we cannot formulate our policies to please a dictator. We just have to move ahead in a democratic fashion like we are going to, I know.

Mr. SHORT. Mr. Ramos, I have enjoyed your presentation very much and I want to compliment you for it.

Mr. RAMOS. Thank you, sir.

Mr. SHORT. I do not want to raise an argument with my good friend the gentleman from Florida, but let the record show that as far as I am concerned, I do not want to take any tonnage of sugar away from Puerto Rico to give it to the farmers in the Red River Valley, as much as I would like to see more sugar grown in our area.

To get this refining thing in proper perspective, am I right that prior to the cancellation of the Cuba quota, we imported from Cuba 375,000 tons of refined sugar?

Mr. RAMOS. That is correct, sir.

Mr. SHORT. If the right to import some or all of that refined sugar were given to you, would that deny the right to coastal refineries that they had before the Cuban quota was cut?

Mr. RAMOS. It will not, sir.

Mr. POAGE. If you are going to assign an additional 10 percent or shift an additional 5 percent from cane—that is, foreign cane—to domestic beets then you reduce the amount of cane that the coastal refineres have to work with by something more than 10 percent, actually.

That is about 12 percent, I think. You will actually reduce the amount they are going to have to refine and this bill does that. This bill does shift approximately 12 percent out of the coastal refineries. If we allow that 375,000 tons to come in in the form of white sugar,

then that 12-percent loss of business to the coastal refineries becomes intolerable, because while I am sure some of them might stay in business, the loss of 12 percent of your business is a rather serious loss in a business like the refining business.

On the other hand, if we were to require this 375,000 tons to come in in the unrefined form, it will restore at least approximately half of that loss. It will restore something on the order of half of that loss to the coastal refineries without adding any more foreign sugar to the domestic market, and it is only through that arrangement that we have the cooperation of all segments of the sugar industry today to allow us to get more sugar in North Dakota and, we hope, in Texas or Washington or wherever it may go. Without that kind of arrangement, I feel certain we will wind up here the night of the 30th of June just as we have wound up on previous nights.

Now Senator Curtis is very optimistic, Mr. McLain is very optimistic, but they do not have the responsibility of getting this bill through this House and through the other House and through conference and back and adopted, as you and I have. We have that responsibility and I do not think we are going to be able to meet it if we are willing to take the chance of creating an impasse between the segments of the industry that presently are in perfect agreement to go along with a program that I think is going to help North Dakota, I think is going to help Texas, I think is going to help Puerto Rico, and I think is going to be advantageous to our country to go along with that program. But if we are going to say that we are not interested in all of the segments of that industry and that we are going to legislate some of them out of business we are so likely to get nothing. You are not going to legislate them out of business without a fight. Now I know American business well enough that, and I think, knowing the timetable, I know they have the control and you cannot pass legislation.

Now it may be that they cannot get any legislation they want, either, but you cannot pass legislation unless you can get some kind of general agreement on the thing. We have that general agreement now. We need such an agreement much more than the seaboard refiners need it. We need to pass a bill. All they need is to block a bill.

If we will simply go along with the broad general principles which have already been agreed upon, I think we will achieve some legislation that will do us all some good. Otherwise, I think we will all get absolutely nothing for every one of us.

Mr. SHORT. Mr. Chairman, this formula is a little bit too complicated for me to understand just exactly how it would affect the importation of this refined sugar. But may I ask the gentleman another question?

Mr. POAGE. Certainly.

Mr. SHORT. What food products does Puerto Rico largely import from the United States?

Mr. RAMOS. I can give you the details if you allow me a minute, sir.

Mr. SHORT. Do you not have it in mind? I am interested in it in just a general way.

Mr. RAMOS. I have the complete detail. In the year 1961, the total shipments were $761,227,229; all food products were $166,870,000.

Mr. SHORT. I was curious as to just what these food products were. Are they flour or rice or corn?

Mr. RAMOS. I will go to that now. Pork products were $6,480,000; beef, veal, $6,480,000; pork, $21 million; lard, near $10 million; dairy products, $21½ million; rice, $25 million; wheat flour, $2,259,000; beans, $5 million; fruits and juices, $7,204,000; feeds, $7,281,000; cigarettes, $11 million; other tobacco products, $24,372,000; wearing apparel, $30 million; other textiles, $95 million.

Mr. SHORT. What was the last one?

Mr. RAMOS. Textiles.

Mr. SHORT. Well, I think that gives me a good general idea of the importations of foodstuffs. Is your capacity to produce some of these things for yourselves growing or is it possible at all?

Mr. RAMOS. No, not much; no, sir.

Mr. SHORT. You could not increase pork production, for instance?

Mr. RAMOS. No. Well, it happens like this: We figure that with 1 acre of sugarcane, we can import the value, you may say, of 5 acres of beans; and so forth and so on in the different products. That is why we have just gone into sugar.

Mr. SHORT. One other question: How many farmers do you have in Puerto Rico that own their own land and raise sugar?

Mr. RAMOS. Sugarcane?

Mr. SHORT. Yes; individual farmers.

Mr. RAMOS. 15,000, and if you allow me, of this 15,000, the average in acres is 25 acres.

Mr. SHORT. Of sugarcane, or is that the size of the farm?

Mr. RAMOS. Of sugarcane, yes, sir. Of these, 8,700 farmers have holdings of from 0.1 to 5 acres. They are very small farmers, from 0.1 of an acre to 5 acres. That is 8,700 farmers. From one-tenth of an acre to 5 acres.

Two thousand five-hundred farmers have from 5 to 10 acres.

Mr. CATHINGS. 2,500——

Mr. RAMOS. From 5 to 10, and 1,000 from 10 to 15 acres and 1,000 from 15 to 25 acres; and so forth and so on. So they are very small farmers.

Mr. SHORT. Thank you very much.

Thank you, Mr. Chairman.

Mr. FERNÓS-ISERN. For the record, I would like to clarify some things.

Of course, Mr. Ramos, you understand that this bill which has been introduced by the chairman represents a sort of compromise and nobody is getting everything they want.

Mr. RAMOS. Mr. Fernós, if you will allow me, it is a compromise, but it is not a compromise of Puerto Rico. We represent 70 percent of the sugar in Puerto Rico, the Farm Bureau, and we were not a part of that deal.

Mr. FERNÓS-ISERN. I understand that, but you understand that this represents a bringing together of all the factors and all the interests?

Mr. RAMOS. Yes, sir.

Mr. FERNÓS-ISERN. For the record, what has been the highest production of sugar in Puerto Rico, do you know? The big year.

Mr. RAMOS. The last year?

Mr. FERNÓS-ISERN. No; not the last year; the year of the largest yield.

Mr. RAMOS. Oh. Well, we had in 1952 1,354,000 tons of sugar.

Mr. FERNÓS-ISERN. And for many years we had surpluses.

Mr. RAMOS. Many years, yes, sir.

Mr. FERNÓS-ISERN. And it is only in the last few years that because of adverse conditions, we have had a lower production.

Mr. RAMOS. That is true.

Mr. FERNÓS-ISERN. Now, the bill provides not 1,200,000 basic quota for Puerto Rico but 1,140,000.

Mr. RAMOS. Yes, sir.

Mr. FERNÓS-ISERN. However, it also provides that as Puerto Rico may reach that production, recovering from the past few years' experiences and circumstances, that it may enter into the growth factor?

Mr. RAMOS. Yes, sir.

Mr. FERNÓS-ISERN. Into the growth formula.

Now, my question is whether you believe that with this provision, Puerto Rico will be able to continue its efforts to come back to its former production and go ahead in its development?

Mr. RAMOS. Yes, sir; with that provision, and with a start of 1,200,000, because the forecast prepared by the technicians of the government of Puerto Rico and the Federal Government in Puerto Rico, the forecast for 1962 is 1,353,000 tons.

Mr. FERNÓS-ISERN. My question is, on the basis of what the bill provides. The bill provides 1,140,000 and then the growth formula on top of that. My question is whether you believe that, given the conditions in Puerto Rico now, Puerto Rico can develop its program of, let us say, restatement of the old production, going back to the old production and forward, if possible, if it could be done, in your judgment, under the provisions of the bill with 1,140,000; that is the question, plus the growth.

Mr. RAMOS. No. Our recommendation is to start with 1,200,000. Then maybe with that provision, we agree to that, to the provision, if and when Puerto Rico produces more.

Mr. FERNÓS-ISERN. In other words, you oppose the 1,140,000 figure?

Mr. RAMOS. We recommend it to be 1,200,000 instead. I am not in a position to oppose. I am just making a recommendation, you see. That is the difference.

Mr. FERNÓS-ISERN. That is right.

Mr. RAMOS. Mr. Fernós, answering your first question, if you will allow me to read from the sugar report of the U.S. Department of Agriculture, November 1961 issue, with the number 115, it says this—this answers your first question very well:

> In Puerto Rico sugarcane production has been influenced by drought, hurricane, adaptability of mechanization to local conditions, a reduction in the harvesting labor supply due to migration of workers to the mainland, restrictions by labor unions on the use of weedicides, mechanizations and piecework and by lack of emphasis on research. During recent years the labor unions appear to have modified in some degree their earlier opposition to laborsaving techniques. The Commonwealth Government has instituted subsidy and credit programs designed to improve sugarcane production efficiency. Man-hour requirements per ton of sugar in Puerto Rico have declined about one-third from the average of of 1947–49. The most significant reduction in man-hours appears in cultivation work as a result of better mechanical weed control, the increased use of weedicides and in some instances by increasing emphasis on certain operations—what they mean is we are on the road of increasing now.

Mr. FERNÓS-ISERN. I know that. The question is you recommend 1,200,000 as a starting point, instead of 1,140,000 which the bill has? That is your position?

Mr. RAMOS. Yes, sir.

Mr. FERNÓS-ISERN. Now, another question: On the question of refined sugar, the existing capacity for production, as I understood you said, is about twice the production now, the allowed production?

Mr. RAMOS. Sir, we sent to the mainland last year 148,000 refined tons and we consumed in Puerto Rico 130,000 tons of refined. These mills were working just about for, let us say, 5 months. If they were allowed to work for the whole year, you may just by easy arithmetic, just double that.

Mr. FERNÓS-ISERN. That would be about half the production of Puerto Rico, the production of raw?

Mr. RAMOS. Yes, sir.

Mr. FENÓS-ISERN. And your idea would be that the quotas for refined sugar for Puerto Rico were increased gradually, not all of a sudden?

Mr. RAMOS. Yes, sir.

Mr. FERNÓS-ISERN. And as I understood Mr. Dominguez—he would have it increased on the basis of growth of consumption. Just to make the record clear.

Mr. DOMINGUEZ. I did not make any proposition specifically like that. I merely explained that the refineries here would not be required to drop their production suddenly, because we could not produce that sugar, that if we were permitted to refine sugar without restriction, we would be increasing that gradually. At the same time that this gradual process was going on, the increasing consumption here at the rate of 150,000 tons per year was taking place, so it was absorbing, that would absorb whatever additional amounts we would be refining year by year.

Mr. FERNÓS-ISERN. In other words, it is your idea that the natural development of the process, one factor would balance the other?

Mr. DOMINGUEZ. Would balance the other, that is right.

Mr. FERNÓS-ISERN. That is all, Mr. Chairman.

Mr. GATHINGS. Mr. Chairman.

Mr. POAGE. Mr. Gathings.

Mr. GATHINGS. I did not want to leave the impression a few moments ago that you had fallen behind consistently as my interjection might have indicated.

It is just the past 5 years that you have fallen under a million tons. I see for 4 years just prior to those 5 years you had delivered more than a million tons. In 1957, it fell down to 912,000 tons from 1,135,000 in the year 1956.

Is that not about the time that you had a migration to the mainland of some of your workers that were starting to come here?

Mr. RAMOS. No, sir; that was the year that we were hit by Hurricane Betsy.

Mr. GATHINGS. I did not hear you.

Mr. RAMOS. That was the year that we were hit by Hurricane Betsy, a very, very bad hurricane. We had not had a hurricane before this for the last 25 years.

Mr. GATHINGS. But before the 3 years, you did hit better than a million and for 2 of those years you delivered 1,200,000 tons. Why was the fall-off starting the year 1957, then followed by 1958, 1959, 1960, and 1961? And that cutback resulted in a deficit?

Mr. RAMOS. Sir, in 1956, we were hit by this hurricane.

The two following years, as the Department of Agriculture states here in this report, we had a very, very terrible drought, both years.

Mr. GATHINGS. Well, your testimony has been most informative, Mr. Ramos. I wonder if you are a kin to Pedro Ramos. We had a Pedro Ramos, a pitcher with Washington. He comes from Cuba. You do not happen to be kin to him?

Mr. RAMOS. Well, maybe my grandfather—he came from Spain. Maybe one of his brothers went to Cuba.

Mr. FERNÓS-ISERN. Will the gentleman yield?

Mr. GATHINGS. Yes.

Mr. FERNÓS-ISERN. There is a factor to explain this difference in the production for a number of years before 1956 and after. Before 1956, the production of Puerto Rico was much larger than the quota. This tended to create the conditions for less intensive cultivation, because in Puerto Rico, we are not under a quota limitation on the basis of acreage, but on the basis of tonnage. A farmer would produce the required tonnage under his quota with less expense if he cultivated without too much intensive methods. It was no point for him to try to produce more because he would have no quota, he could not sell.

Now, that was the situation for a number of years. We struggled with this surplus that we had for many years until finally, we got some increase in the quota. But it was not enough to take care of the surplus, and so there were allocations made for each farmer. He could produce so much and no more. So it was right at that moment, when the plantations had been less cultivated than they would have been otherwise because of the quota that the hurricane hit Puerto Rico and hit the plantations in the worst possible moment.

That has created this situation where actually, the whole island has to be replanted and that is not done in 1 year or 2 years. It has to be done gradually because it takes a lot of expense.

I might say that in planting cane, the first year it is done, you do not make any money, you lose money. It is only after the second or third years that you begin to make your profit. You can not replant the whole island in one year, because it would be a tremendous investment. The farmers go at it as gradually, as they can. So that explains the difference. But the record shows, I think, that Puerto Rico can produce much more than it has been producing in the last few years, and naturally, much more than 1,140,000. But the present situation is what has been described. We are recovering from this past few years' low yield.

Mr. GATHINGS. Thank you.

You gentlemen representing the Farm Bureau of the island, you would probably be familiar with the migration to the mainland and the type of labor that comes here.

Mr. RAMOS. Yes, sir.

Mr. GATHINGS. What percent of that labor is field labor, farm labor?

Mr. RAMOS. Practically all of it.

Mr. GATHINGS. Where do they go? Do they go to Florida?

Mr. RAMOS. Principally to New Jersey and Chicago.

Mr. GATHINGS. To work in fruit and vegetable harvest?

Mr RAMOS. Yes, sir. The Garden State, New Jersey.

During the harvest of vegetables and fruits. Most of them come to New Jersey and Chicago—I mean the laborers.

Mr. GATHINGS. How long do they stay when they come? They are Americans and they can stay indefinitely. Do they come and stay the year round, or do they come just for harvest of the crops?

Mr. RAMOS. Just for harvest, sir.

Mr. GATHINGS. And then they go back?

Mr. RAMOS. Some of them stay in the mainland, but most of them go back to Puerto Rico after the harvest.

Mr. GATHINGS. Do you have available quite an additional supply of workers that would assist in the harvest of crops in the middle portion of the country? Do you think you have a sufficient number that could come in——

Mr. RAMOS. No, sir. By now, at the peak of the sugarcane season, we are a little short.

Mr. GATHINGS. You are short?

Mr. RAMOS. Yes, sir. That is why we are trying to mechanize and we have to mechanize.

Mr. GATHINGS. Mechanize?

Mr. RAMOS. Yes, sir.

Well, the labor leaders have been opposing this until now. We needed to mechanize before, because we needed to pull down the cost of production, to lower it. But now, we need to mechanize because we do not have enough people.

Mr. GATHINGS. What is your population doing, 1950 to 1960, what was the increased percentage in Puerto Rico?

Mr. RAMOS. Well, it increased very, very much, but now, it does not increase so much. I do not know the exact figure. Maybe Dr. Fernós can help me.

Mr. GATHINGS. About 2 percent a year?

Mr. RAMOS. I think it is 3 percent now.

Mr. GATHINGS. Three percent a year?

Mr. RAMOS. I think so. I am not sure.

Mr. FERNÓS-ISERN. The incease in population from 1950 to 1960 was the lowest ever. It was a very small increase, from over 2,200,000 to about 2,300,000 in 1950, or something like that.

Mr. GATHINGS. What is the per capita income on the island at the present time?

Mr. FERNÓS-ISERN. Approximately $630.

Mr. GATHINGS. What was that 20 years ago?

Mr. FERNÓS-ISERN. $120.

Mr. GATHINGS. You have a showcase in the Caribbean, and the President recognized that by stopping first in San Juan.

Mr. RAMOS. That is right.

Mr. GATHINGS. That is all.

Mr. POAGE. Thank you, Mr. Gathings.

Mr. Ramos, the chairman wants you to understand that we appreciate your appearance here. We certainly recognize that you are presenting the position of your people in a very able manner and we do appreciate it. We only hope that you understand that there are a lot

of other people who have problems that have been or will be presented just as forcefully as yours, and there are conflicts that come in between them. We simply want you to try to understand the problems that this committee must solve. We do not want to be critical, but rather, we hope you undersand, and we want to understand your problems.

Mr. RAMOS. I do, sir, and I do appreciate your problem, and I know it is complicated and so forth and so on. So I just cross my fingers and wish you luck.

Mr. POAGE. We hope we get luck all the way around.

Now, without objection, the Chair will authorize the insertion in the record of a statement by Mr. Langen, of Minnesota.

(The document referred to is as follows:)

STATEMENT OF HON. ODIN LANGEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman, about a year ago I had occasion to appear before the Agriculture Committee expressing my views and support for adequate and proper consideration of renewal of the International Sugar Agreement at the earliest possible date.

I expressed basically at that time the existing conditions that prevail in the Red River Valley, making this area a very lucrative area in which the production of sugarbeets can be practiced. Today let me first compliment the committee for the time and attention that they are directing to this most significant matter, as it relates to farmers, industry, and consumers throughout the Nation.

Because of my previous statement a year ago, I shall be very brief today, and wish to call to the attention of the committee only two specific points.

The bill that is before the committee for consideration, H.R. 11730, provides for a 5-year extension of the Sugar Act and establishes quotas for domestic beets, mainland cane, as well as quotas for Hawaii, Pureto Rico, Virgin Islands, and each of the other participating quota countries.

The first point I wish to make is in reference to the quota for domestic beets and mainland cane, and the expansion opportunities provided for each. In view of the many statements and the effective manner in which the case was presented to the Agriculture Committee a year ago, emphasizing the need and the feasibility of providing expanded sugarbeet production opportunities, it seems by my interpretation that the bill as drawn does not reflect adequate recognition of the people who have for so many years been requesting an opportunity to produce more beets, both in existing areas and new areas.

I have never been able to understand why all of the increased consumption should not be allocated to domestic quotas. I have legislation pending before this committee which provides for all of the increased consumption to be allocated to domestic quotas, and this provision has found favor with grower organizations throughout the country.

May I call to the attention of the committee the proposal for new sugar legislation which was submitted to the Department of Agriculture on December 20, 1961, by Mr. Aldrich Bloomquist, executive secretary, Western Beet Growers Association, and supported by eight affiliate grower associations. I am including a copy of the letter and the proposal as submitted. Their proposal provides for an additional 175,000 short tons to the domestic beet quota and 5,000 tons to the mainland cane quota, as compared to the bill now being considered by the committee. This appears to me to more adequately and properly respond to the desires of sugarbeet growers throughout the Nation, as well as our national sugar needs. Proportionately, mainland cane still has, even in this proposal, a much larger percentage of increase than do sugarbeets, and the same fact must be recognized even in a more pronounced manner as far as the bill before the committee is concerned. It is my opinion that a more comparable domestic rate of growth should be recognized for the production of beets and mainland cane. The very modest increases that are provided for in this proposal submitted by the Western Sugar Beet Growers Association would provide for a very practical expansion and an opportunity for many agricultural areas to improve their agricultural economic future.

The second point that I must emphasize to the committee is the manner in which we acquire the more than 3 million tons of sugar that originally was purchased from Cuba. Under present provisions, as well as under the provisions of the proposed legislation, all of this sugar would be purchased from foreign nations, both quota and nonquota countries. This experience during the past year indicates the great discrepancies that such a policy creates with regard to the participation of respective quota countries in the Sugar Act.

During 1961, because we were not buying sugar from Cuba, a total of 3,117,000 short tons of sugar was purchased in addition to the established quotas. All of the participating quota countries sold to the United States far greater amounts of sugar than their original quota provided for. In fact, in most instances, these purchases were four and five times as great as their quota. However, domestic beets and mainland cane were not afforded any participation in the production or sale of a part of these sugar needs created by the severing of diplomatic relations with Cuba. Here it would seem that it would be only equitable and certainly constitute only a minimum request, that domestic beets and mainland cane be permitted to share equally in providing these additional sugar needs with the rest of the quota countries. Such an arrangement would surely not interfere with any of our diplomatic relations with any of these countries and would serve to keep the economic opportunities of our own Nation in sugar production on a par with those of the participating countries in the agreement.

In view of the agricultural problem of surpluses and expanding Government expenditures, there is a great opportunity to serve favorably the taxpayer, the producer, and our national economy by permitting the replacement of surplus crops with the production of sugar beets and cane.

The argument and the logic for the provisions that I have suggested seems so pronounced that the committee would do well to give adequate consideration to including them in their recommendations to the House. Such a recommendation would serve, in my opinion, the best interests of agriculture and our national economy.

MINNEAPOLIS, MINN., *December 20, 1961.*

HON. ORVILLE L. FREEMAN,
Secretary of Agriculture,
U.S. Department of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: Last week members of our association, which represents sugarbeet growers in Iowa, Minnesota, North Dakota, Montana, and Washington, and sugarbeet development groups in the Red River Valley, were in Washington attending meetings with other segments of the sugar industry. The purpose of these meetings was to draft proposed amendments to the Sugar Act to present to your Department for consideration. It was hoped that all of these interests could agree on one program. The hoped-for unity, however, failed to materialize, and we now find ourselves in a position of placing before you, independently, our views with regard to Sugar Act legislation.

The proposals we would like to place before you at this time have the full backing and support of the Red River Valley Sugarbeet Growers Association, Mason City District Beet Growers Association, Southern Minnesota Beet Growers Association, Columbia Basin Beet Growers Association, Northern Montana Beet Growers Association of Phillips and Blaine Counties, Minnesota-Dakota Beet Development Association, Southern Red River Valley Beet Development Association, Tri-County Sugar Beet Association—all affiliates of Western Sugarbeet Growers Association. In addition, our proposal is supported by other areas who have been vocal on the matter of expansion of the beet industry during the past 2 years. I refer specifically to the Texas Beet Growers Association and other groups in the Southwest and Midwest.

We believe the program we have detailed is sound, modest, and can be achieved without too radical a departure from existing formulas and operating procedures. We fully recognize the Sugar Act to be a restrictive farm program and we most heartily subscribe to the basic principles of the act. However, we do believe changing world conditions have given us just reason to examine certain aspects of the act, particularly with regard to the allocation of quotas. We feel at this time that it is in the public and national interest to place somewhat greater reliance on domestic production of sugar.

It has been the belief of all grower members of our association and this feeling has been fully supported by the would-be growers in our ranks that growers should not be cut back in acreage. An exception, we believe, would be in the case of overproduction brought about by higher-than-average yields.

We would like to suggest a basic beet quota based on the 1961 planted acreage multiplied by the average sugar production per acre of the past 5 years. This would mean a basic beet-sugar quota for 1962 of roughly 2,825,000 tons.

We would also like to propose, for your consideration, an increase in the domestic share of the growth in consumption. We feel the domestic mainland industry, sugarbeets and cane, are entitled to grow in our economy. Many existing sugarbeet-processing facilities stand ready to be modernized and improved. These improvements would increase slightly production capacity and would increase efficiency markedly. We feel the Sugar Act should recognize this and provide opportunity for this type of modest growth. New areas have been clamoring for processing facilities. We believe sound economics will restrict such expansion to a degree much less than one might expect from all of the cries of would-be growers. We firmly believe, however, that within the framework of the amended Sugar Act the opportunity, within limits, must be made available to those areas and those would-be growers.

We would, therefore, like to submit for your consideration two proposals linked to the growth and expansion we have just discussed. We would like to suggest that all of the growth in national consumption for the period of the act be allocated to the beet and mainland cane areas with the division to be 75 percent for beet and 25 percent for mainland cane. We would further suggest that the Hawaiian deficits, for this same period, be assigned to the beet area. We would likewise suggest that an amount equal to one-third of the amount received by the beet areas from Hawaiian deficits be assigned to the mainland cane area—such amount to be taken from the Puerto Rican deficits.

In the case of the domestic beet areas we would suggest that a set-aside or reserve be established in the law to make possible the expansion and growth of the industry discussed previously. This could be done by inserting at the end of the first sentence in section 302(b) a new sentence as follows:

"In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary shall, in addition to continuing regulations of the general character and extent of those established by him under Public Laws 140, 545, etc., designed to protect the interest of new and small producers; reserve from any national sugarbeet acreage limitations established under authority of section 302(a) not in excess of 40,000 acres for allocation to sugarbeet farms or farmers, without regard to allocations to States or areas within States. Such allocations shall be determined by the Secretary after notice and opportunity for public hearing."

Adoption of such proposals, we believe, would do much to strengthen and improve the domestic sugar industry, beat and cane. The modest allowances for growth and expansion would enable the industry to embark on a program of modernizing existing facilities to greatly enhance the efficiency of the industry. Likewise, opportunity would be afforded those who wish to grow beets to make arrangements for erection of processing facilities where economically sound.

As a representative of sugarbeet growers and would-be growers, I submit that these proposals cover our position with regard to quotas and growth. We heartily subscribe to those suggested amendments submitted to your Department last Friday dealing with items other than quotas and deficits.

Your thoughtful consideration will be greatly appreciated.

Very sincerely yours,

ALDRICH C. BLOOMQUIST,
Executive Secretary, Western Sugarbeet Growers Association.

PROPOSAL FOR NEW SUGAR LEGISLATION

1. *Term.*—The new law would be a 5-year act extending from January 1, 1962, through December 31, 1966.

2. *Basic quotas.*—New basic quotas for domestic areas would be established at a consumption level of 9,700,000 tons. These would be as follows:

Beet area	2,825,000	Puerto Rico	1,200,000
Mainland cane	900,000	Virgin Islands	15,000
Hawaii	1,150,000		

3. *Growth.*—Growth (decrease) over (under) the 9,700,000-ton level of consumption (consumption estimate minus unallocated amounts) would be divided 75 percent to domestic beet area and 25 percent to mainland cane area for the period of the act.

4. *Domestic deficits.*—For the period of the act the domestic beet area would receive the Hawaiian deficit and the mainland cane area would receive an amount equal to one-third of the Hawaiian deficit from the Puerto Rico deficit. Deficit amounts left over from application of the above formula or deficits acruing from domestic areas not covered would go to foreign areas.

5. *New beet growers.*—The following sentence would be inserted at the end of the first sentence in section 302(b):

"In order to make available acreage for growth and expansion of the beet-sugar industry, the Secretary shall, in addition to continuing regulations of the general character and extent of those established by him under Public Laws 140, 545, etc., designed to protect the interest of new and small producers, reserve from any national sugarbeet acreage limitations established under authority of section 302(a) not in excess of 40,000 acres for allocation to new farms or farmers, or present sugarbeet farms or farmers, without regard to allocations to States or areas within States. Such allocations shall be determined by the Secretary after notice and opportunity for public hearing."

WESTERN SUGARBEET GROWERS ASSOCIATION.

DECEMBER 21, 1961.

Affiliates: Red River Valley Sugarbeet Growers Association, Inc.; Mason City District Beet Growers Association; Southern Minnesota Beet Growers Association; Columbia Basin Beet Growers Association; Northern Montana Beet Growers Association; Southern Red River Valley Beet Development Association; Tri-County Sugarbeet Association; Minnesota-Dakota Beet Development Association.

Mr. POAGE. The chairman has four more witnesses. They all represent industry and the committee—I beg your pardon.

Mr. DOMINGUEZ. For the record, I wish to state that I am also representing here the Chamber of Commerce of Puerto Rico.

Mr. POAGE. Thank you very much. The committee will stand in recess until 2 o'clock this afternoon.

(Whereupon, at 12:30 p.m., the committee recessed, to resume at 2 p.m. of the same day.)

AFTERNOON SESSION

Mr. POAGE. The committee will come to order.

The first witness this afternoon will be Mr. Charles Fischer, of the United Packing House, Food & Allied Workers, AFL–CIO, Chicago, Ill. We will be glad to hear from you now.

STATEMENT OF CHARLES FISCHER, UNITED PACKING HOUSE, FOOD & ALLIED WORKERS, AFL–CIO

Mr. FISCHER. Mr. Chairman and members of the committee, we have supplied copies of a complete statement for all of the members of the committee. This is the statement which we would like to see become a part of the permanent record of the deliberations.

Mr. POAGE. Without objection, it will be made a part of the record.

Mr. FISCHER. U.S. policy regarding the sugar industry is undergoing serious reappraisal, principally because Cuban sugar is no longer available for consumption in this country. This is the first such basic reappraisal since the adoption of the quota system in essentially its present form in 1934. Therefore, this is an opportune time to review the effectiveness of the present sugar-control machinery

as it affects the basic sugar producer—the fieldworkers on the cane plantations and the beet farms.

When the Roosevelt administration adopted the Jones-Costigan Act in 1934, the price of raw sugar was 1 cent a pound. The industry was in a bad way. The act was designed to raise and stablize prices without harming consumers, to effect a shift of income from processors, who were not doing so badly, to growers, who were not doing miserably, and, in so doing, to insure that the farmworkers shared in the benefits.

As was recently pointed out "we have developed a thoroughly managed sugar economy." The questions raised by this paper are: What has become of the fieldworker? How has he fared in this managed economy?

In fact, the workers who produce the sugarcane and the sugarbeets are actually worse off than they would be without the procedure in the Sugar Act which is supposed to assure them "fair and reasonable wages." As this statement demonstrates, the "fair and reasonable" wage for sugar workers is set by the U.S. Department of Agriculture at whatever is the prevailing farm rate in the area. Thus the Government's stamp of approval is put on such substandard wages as 75 cents to a dollar in the beet areas, 60 to 70 cents in Louisiana, and 36.5 cents in Puerto Rico. Every attempt by the workers to raise their wages is met by the argument that the wages they are getting are considered "fair and reasonable" by the U.S. Department of Agriculture.

The President of the United States, in his message to Congress recommending passage of sugar legislation in 1937, said:

> It is highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle that an industry which desires the protection afforded by the quota system or a tariff should be expected to guarantee that it will be a good employer. I recommend therefore that the prevention of child labor, and the payment of wages not less than minimum standards, be included among the conditions for receiving a Federal payment.

Now in Hawaii where wage rates have been established by collective bargaining since 1945 the Secretary has determined that the union rates are "fair and reasonable." Elsewhere, according to spokesmen for the USDA, the standards have taken into account trends in living costs, "differences in the economic position of producers and workers in the several producing areas" and "ability to pay," i.e., "the economic position of producers in relation to available market returns."

Consideration of trends in living costs has been limited to trends in the prices of food and clothing, "inasmuch as those two items represent the major expenditures by sugarbeet and sugarcane fieldworkers." Nothing could be more revealing. The living standards of the fieldworkers are so low, price trends for other customary items of goods and services are disregarded.

Although my organization has from time to time participated in the public hearings which are provided for in the law, the Secretary, generally, has only such information as the growers provide. The resultant wage determinations determine what is the prevailing wage in the area in question. How else can one explain a "fair and reasonable" minimum wage of $1.46 per hour in Hawaii, the union rate for

labor grade I, effective February 1, 1962, and a wage of $2.92 per day, which on a per hour basis is 36.5 cents, in Puerto Rico for the same crop year? These are the latest determinations for these areas. It is obvious that the alleged "standards" used by the Secretary of Agriculture are extraordinarily flexible. "Fair and reasonable" does not mean what is fair and reasonable to the workers. No genuine concept of a fair minimum wage would justify any such differentials as this. The cost of living does not vary that much from one part of the country to another.

I am sure that anyone who has traveled to Hawaii and Puerto Rico knows that the cost of living does not vary that much from one part of our country to the other.

The criteria used by the USDA are quite clear—and these criteria are those which directly contradict the standards for a fair minimum wage. In the USDA wage determination for the 1961 crop and cultivation of the 1962 crop in Louisiana, these criteria are made explicit:

> An analysis of returns, costs, and profits of sugar cane production and other relevant factors indicates that the increase in the wage rates provided herein are fair and reasonable and within the ability of producers to pay.

Lest anyone be misled by the "forcefulness" of the USDA's language, it should be noted that the increase was 5 cents per hour, which would bring the minimum close to 67 cents per hour.

The Puerto Rican wage, previously noted, came as a result of the most recent wage determination, which provided an increase of 9 cents per day.

The only possible conclusion is that section 301(c)(1) of the Sugar Act is a dead letter so far as providing a real minimum wage is concerned. It affords sugar workers no protection whatsoever. To this extent, the purpose of the original enactments has not been fulfilled. Processors are paying their excise tax, growers are getting payments, but the wages and conditions of the workers would be no worse if the Sugar Act was repealed.

During 1960, for example, average hourly earnings in Puerto Rico were 0.502 cent. Yet, this figure considerably overstates the economic position of the majority of canefield workers. This figure is a weighted average—weighting by numbers of workers in each type of job—and thus for the bulk of the workers the actual wage was much less. Furthermore, earnings per hour are even less meaningful for income comparisons when it is remembered that average weekly hours are considerably less than 40. Thus the average weekly income of the workers in sugar are incredibly low—even discounting the abysmally low standards created by the USDA wage policy.

Furthermore, contrary to the notion that the situation in Puerto Rico is unique, consider the case of Florida where much of the work is done by migrant labor. In reviewing the intolerable conditions of migrant labor, the Sixth Federal Reserve District's monthly review said:

> Earnings: Southern migrants earned an average of $644 for their farmwork in 1959, according to the USDA. Since migrants are deprived of the fringe benefits usually enjoyed by farmworkers, those wages represent everything they got from the farm. One reason these earnings seem so low is because migrants are not employed regularly. In 1959, southern migrants worked only 120 days, on the average, partly because they spent much less time traveling from job to job and partly because the work was often unavailable. Migrants harvest crops

that are generally delicate, and they can do so only when weather conditions are just right. Then too, time is often lost while crops are maturing.

The word "productivity" has been in the news much these days.

Since 1950, in terms of man-hours per acre of cane, labor productivity has risen nearly 40 percent in Puerto Rico, and the rise in Louisiana and Florida has been even more impressive. At the same time, however, real wages of cane workers in Puerto Rico have risen only 12 percent. And as a matter of fact have actually declined steadily since 1957.

In the mainland cane areas, the trend of productivity has been the same—only more so. In Florida, productivity in the period 1950–60 rose by roughly 150 percent, but this almost incredible rise in productivity has been matched by only a 34-percent increase in real wages.

The gain in productivity, which has meant lower production costs in every cane area, on the mainland and in Puerto Rico, has never been passed on to the workers who have contributed in large measure to the gain.

May I interject, gentlemen, at this point, that the effect of poverty is to breed more poverty. Impoverished families whose livelihood is dependent upon the USDA determination of the growers' ability to pay will inevitably produce ill-clad, undernourished, and poorly educated workers who, like their parents before them, are unable to escape the vicious cycle.

I was impressed, if I may digress for a moment, by a story in the Washington Post this morning which described the situation current in Spain right now where extensive strikes are underway. And this piece in the Washington Post said that the Government was attempting to resolve the current strikes by paying or by offering to pay the workers $2.50 a day. This, I would suggest, you compare with the income figures I have just quoted.

Sugar workers in the continental United States are excluded from coverage under Federal law which guarantees industrial workers the right to bargain collectively through representatives of their own choosing. The law does not forbid collective bargaining, but the growers are under no legislative compulsion to agree to bargain. Thus, an industry which enjoys the protection of the Federal Government is under no obligation to bargain collectively.

This situation derives both from the great political influence of the large growers, the masses of unemployed in growing areas, and from the organizational weakness of the workers. The situation is thus to some degree circular: the workers cannot readily organize because they are not organized, and the army of unemployed is competing for their jobs. Obviously, one step toward a solution lies in the adoption of amendments to Federal labor law to cover the sugar workers.

If the workers have not benefited from the generous subsidy enjoyed by the domestic sugar industry, who has? The answer is: All other segments have benefited, the big industrial users most of all.

The industrial users have grown rapidly in importance since the passage of the first quota legislation in 1934. At that time they consumed about one-third of all the sugar used in this country; now they consume about two-thirds. The ordinary domestic consumer has increasingly purchased his sugar in the form of bakery goods,

confectionery, canned fruits, carbonated beverages, chewing gum, and other processed items. For the industrial user, the Sugar Act has guaranteed a profit bonanza.

The following figures are from Moody's Industrials of profits, after taxes, as a percent of net worth for the companies listed for the period 1948 through 1960.

With Coca Cola the lowest return in that 13-year period was 14.3 percent and the high was 24.3 percent.

For William Wrigley, Jr., the low yield was 13 percent and the high was 21 percent.

For Hershey Chocolate the low was 10.3 percent and the high was 30 percent.

These profit figures demonstrate that the Secretary has certainly protected the welfare of these large sugar users, who, together with similar industrial concerns, consume two-thirds of the entire sugar supply. Obviously, the price of sugar has not been excessive.

Similarly, profits of sugar producers and processors have been adequate and assured. They have benefited from an assured market and a stable price. Under the circumstances of expanding domestic quotas, their outlook for the future is even better.

As to the growers, the Sugar Act entitles the beet and cane growers to certain payments in return for their observing the quota requirements and the child labor and wage payments provisions of section 301. The payment varies from 80 cents per hundred pounds of raw sugar on farms producing a small tonnage to 30 cents per hundred on farms producing a larger tonnage.

The big Hawaii plantations receive payments at the minimum rate, while the small beet farms and small cane growers in Louisiana receive the maximum. This results in a highly anomalous situation; the areas which pay the highest rate of wages receive the lowest rate of sugar payments, while the areas which pay the lowest wages receive the highest sugar payments.

Many growers who pay less than $1.15 per hour, the present Fair Labor Standards Act minimum, are nevertheless receiving payments from the Federal Treasury. We think that if the industry is to be subsidized, the subsidy should vary with the level of wages paid—the higher the wage, the higher the sugar payments.

Our complaint is not with the existence of the subsidy. We recognize that the long-run stability of the industry depends on the maintenance of a domestic price which is higher than the world price. Our complaint is that an industry which enjoys such a subsidy has not been compelled to pay a decent minimum wage to the workers who produce the sugar.

We estimate that in 1960 foreign producers alone received a windfall from the "quota premium" (the difference between the domestic price and the world price) amounting to $180 million. We estimate that to raise wages the statutory minimum required by the Fair Labor Standards Act would cost only about $30 million per year. This estimate is based on the Department of Agriculture figures on manhours worked and assumes that all fieldworkers are entitled to the present Fair Labor Standards Act minimum of $1.15 per hour.

The U.S. Treasury, under the terms of the present Sugar Act, already derives a profit from the act's operation. Receipts from the

excise tax levied on the processors exceed sugar payments to the growers by some $25 million a year. This amount, too, should be considered in devising a means to bring sugar workers' wages up to the minimum. This sum alone is almost enough for the purpose. However, in addition import tariffs last year amounted to $37,500,000. In view of these two sources of Government income we believe that by exercising some imagination in redrafting the wage provisions of the Sugar Act the necessary increase could be paid without hurting the domestic growers in the least.

We therefore earnestly submit that any industry which receives a Federal subsidy should pay an American wage. The time has long since been overdue to apply this principle to the sugar industry.

Thank you.

(The prepared statement of the United Packing House, Food & Allied Workers, AFL–CIO, follows:)

STATEMENT OF THE UNITED PACKINGHOUSE, FOOD AND ALLIED WORKERS, AFL–CIO, RE WAGE STANDARDS OF AGRICULTURAL WORKERS IN THE SUGAR INDUSTRY

U.S. policy regarding the sugar industry is undergoing serious reappraisal, principally because Cuban sugar is no longer available for consumption in this country. This is the first such basic reappraisal since the adoption of the quota system in essentially its present form in 1934. Therefore, this is an opportune time to review the effectiveness of the present sugar control machinery as it affects the basic sugar producer—the field workers on the cane plantations and beet farms.

Sugar—A subsidized industry.—The U.S. sugar industry has been heavily subsidized for many years, first by tariffs, and, since 1934, by means of a quota system that guarantees domestic producers a market at a price substantially higher than the world market price. Senators Paul H. Douglas and J. W. Fulbright have recently estimated the extent of the subsidy at 10 to 20 billions of dollars since 1934.[1]

When the Roosevelt administration adopted the Jones-Costigan Act in 1934, the price of raw sugar was 1 cent a pound. The industry was in a bad way. The act was designed to raise and stabilize prices without harming consumers, to effect a shift of income from processors (who weren't doing so badly) to growers (who were doing miserably), and, in so doing, to insure that the farmworkers shared in the benefits.

Since 1934, the Sugar Act has often been amended, but its basic purposes and procedures remain unchanged. After 27 years' experience, it is clear that the act has been successful in meeting all its major objectives—with one glaring exception: The farmworkers, the base of the whole pyramid, have derived no benefit. Sugar fieldworkers in Hawaii are an exception—they are far better off than they were, but the improvement in their income and living standards cannot be credited to the sugar legislation; it is the result of union organization.

However, since 1934, the economic picture has radically changed. The need then was to raise sugar prices and to redistribute the industry's income as between processors and growers and, indirectly, the fieldworkers. Now, during the prosperous postwar years, the effect of the act has been to hold down the price of sugar relative to other agricultural prices. The result has been an unanticipated profit bonanza for the big industrial users who swallow two-thirds of the industry's product. The principal beneficiaries of the act have been Coca Cola, Hershey, Wrigley, and the other industrial users, including the fruit canners. The prices of pop, candy, of chewing gum, and of canned fruits have all gone up along with other prices, while the price of their raw material—sugar—has risen only very slowly. The resulting phenomenal profits for some of these companies are shown later.

Now is the time for a thorough reconsideration of the whole purpose of the Sugar Act. The country cannot sit idly by and see millions of dollars pouring into the coffers of the industrial users at the same time that the fieldworkers

[1] S. Rept. 125, 87th Cong., 1st sess., p. 10.

are getting no benefits whatever. This was not the purpose of the act originally; it should not be the result of the act today.

As was recently pointed out, "We have developed a thoroughly managed sugar economy." [2] The questions raised by this paper are: What has become of the field worker? How has he fared in this managed economy?

Why is he the forgotten man?—The sugar worker has actually received no benefit whatever from the Sugar Act. Other segments of the industry—the industrial users, the processors, the growers, and the consumers—have all benefited from the stable and assured prices guaranteed by the act.

In fact, the workers who produce the sugarcane and the sugarbeets are actually worse off than they would be without the procedure in the Sugar Act which is supposed to assure them "fair and reasonable wages." As this statement demonstrates, the "fair and reasonable" wage for sugar workers is set by the USDA at whatever is the prevailing farm rate in the area. Thus the Government's stamp of approval is put on such substandard wages as 75 cents to a dollar in the beet areas, 60 to 70 cents in Loisiana, and 36½ cents in Puerto Rico. Every attempt by the workers to raise their wages is met by the argument that the wages they are getting are considered "fair and reasonable" by the USDA.

The "fair and reasonable" wage doctrine.—The President of the United States, in his message to Congress recommending passage of sugar leglislation in 1937, said:

"It is highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle than an industry which desires the protection afforded by the quota system, or a tariff, should be expected to guarantee that it will be a good employer. I recommend therefore that the prevention of child labor, and the payment of wages of not less than minimum standards, be included among the conditions for receiving a Federal payment." [3]

The 1937 Sugar Act and all subsequent versions have carried the provision that the Secretary of Agriculture, after appropriate hearings, shall establish "fair and reasonable" wages for sugar workers. But the act failed to specify clearly the standards to be applied in setting the rates. It simply said that the Secretary "shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the difference in conditions among various producing areas." [4]

In practice, the "fair and reasonable" wages as set by the Secretary have been no higher than those prevailing in the particular area in question. In Hawaii, where wage rates have been established by collective bargaining since 1945, the Secretary has determined that the union rates are "fair and reasonable." Elsewhere, according to spokesmen for the USDA, the standards have taken into account trends in living costs, "differences in the economic position of producers and workers in the several producing areas," and "ability to pay," i.e., "the economic position of producers in relation to available market returns." [5]

Consideration of trends in living costs has been limited to trends in the prices of food and clothing, "inasmuch as those two items represent the major expenditures by sugarbeet and sugarcane fieldworkers." [6] Nothing could be more revealing. The living standards of the fieldworkers are so low, price trends for other customary items of goods and services are disregarded.

In the public hearings, which are provided for in the law as a protection to all parties, the Secretary almost always has only such information as the growers provide. The resultant wage determinations determine what is the prevailing wage in the area in question. How else can one explain a "fair and reasonable" minimum wage of $1.46 per hour in Hawaii (the union rate for Labor Grade I, effective February 1, 1962) and a wage of $2.92 per day (which on a per-hour basis, is 36½ cents) in Puerto Rico for the same crop year? [7] These are the latest determinations for these areas. It is obvious that the al-

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[2] "Special Study on Sugar," a report of the Special Study Group of the U.S. Department of Agriculture for use of the House Committee on Agriculture.

[3] Emphasis added.

[4] Sec. 301(c)(1).

[5] "Wage Determinations Under the Sugar Acts," Ward S. Stevenson and Linewood K. Bailey, Sugar Division, Department of Agriculture, published in Sugar Reports, December 1954.

[6] Stevenson and Bailey, op. cit.

[7] Minimum Wage Board, Commonwealth of Puerto Rico, Department of Labor. Mandatory Decree No. 50, Jan. 3, 1962.

leged "standards" used by the Secretary of Agriculture are extraordinarily flexible. "Fair and reasonable" does not mean what is fair and reasonable to the workers. No genuine concept of a fair minimum wage would justify any such differentials as this. The cost of living does not vary that much from one part of the country to another.

In Puerto Rico, the USDA distortion and perversion of the "fair and reasonable" doctrine with respect to wages has received its harshest expression. Evidently, with its attention always centered on keeping the grower-processor interests in Puerto Rico on a "competitive" par with other U.S. sugar producing areas, the canefield worker is Puerto Rico has been placed at the bottom of the totem pole.

The criterio used by the USDA are quite clear—and these criteria are those which directly contradict the standards for a fair minimum wage. In the USDA wage determination for the 1961 crop and cultivation of the 1962 crop in Louisiana, these criteria are made explicit:

"An analysis of returns, costs, and profits of sugarcane production and other relevant factors indicates that the increase in the wage rates provided herein are fair and reasonable and within the ability of producers to pay." [8]

Lest anyone be misled by the "forcefulness" of the USDA's language, it should be noted that the increase was 5 cents per hour, which would bring the minimum close to 67 cents per hour.

The Puerto Rican wage, previously noted, came as a result of the most recent wage determination, which provided an increase of 9 cents per day. (Parenthetically, it should be noted that the insular government in Puerto Rico has assumed jurisdiction over canefield workers' wages, but the USDA has not released its own jurisdiction. As a practical matter, with the USDA continuing to make determinations on prices for raw sugar and on conditional payments, the insular government has apparently felt—we think mistakenly, and we have so testified in Puerto Rico—that it cannot get much "out of line" from what the USDA sees fit to do with respect to minimum rates for field workers.)

Sugar wages follow farm wages.—A look at chart I confirms the conclusion that the Sugar Act provision for "fair and reasonable" wages has done nothing to bring earnings of sugar field workers up to a truly fair and reasonable level. The chart shows the movement of sugar workers' earnings for the period 1946 to 1960, compared to the earnings of industrial workers and compared to farm wage rates generally. Two conclusions are immediately obvious:

1. Except for Hawaii, field sugar wages are comparable to farm wages generally, and have risen at the same slow rate. Beet area earnings are higher than cane earnings in Florida and Louisiana, not only because wages in the South are lower, but also because of the greater proportion of skilled workers in the beet areas, now highly mechanized.

2. Earnings of field sugar workers, along with farm wage rates generally, are far below the earnings of industrial workers and have been falling farther and farther behind. Earnings in beet areas, which averaged about two-thirds of earnings in manufacturing in 1946, now are only a little more than one-half of the earnings of manufacturing workers.

A dead letter.—The only possible conclusion is that section 301(c)(1) of the Sugar Act is a dead letter so far as providing a real minimum wage is concerned. It affords sugar workers no protection whatsoever. To this extent, the purpose of the original enactments has not been fulfilled. Processors are paying their excise tax, growers are getting payments, but the wages and conditions of the workers would be no worse if the Sugar Act was repealed. The industry is being subsidized, but none of the subsidy trickles down to the workers. The industry is far from being a "good employer," to refer again to President Roosevelt's message. As has been demonstrated, the interpretation of the "fair and reasonable" doctrine by the USDA and the administrative wage determinations resulting from this interpretation has produced a situation of vast inequities for the canefield workers.

Income of fieldworkers.—Given these wage determinations by the USDA, the resulting income situation within which the canefield workers find themselves has not only not improved, but in fact it has worsened.

During 1960, for example, average hourly earnings in Puerto Rico were $0.502. Yet, this figure considerably overstates the economic position of the majority of

[8] USDA wage determination for Louisiana sugarcane workers, quoted in Sugar y Azucar, December 1961, p. 47.

canefield workers. This figure is a weighted average (weighting by numbers of workers in each type of job) and thus for the bulk of the workers the actual wage was much less. Furthermore, earnings per hour are even less meaningful for income comparisons, when it is remembered that average weekly hours are considerably less than 40. Thus the average weekly incomes of the workers in sugar are incredibly low—even discounting the abysmally low standards created by the USDA wage policy.

The following data indicate the actual income situation of sugar workers in Puerto Rico.[9] For the 80,302 workers hired in March 1961, the busiest harvest month, hours average only 28 per week and earnings (on the basis of an average of $0.0485 per hour) averaged only $14.68 per week. For cane cutters who numbered 45,429 and accounted for nearly 57 percent of total employment in seasonally busy March, hours averaged 28 per week, average hourly earnings $0.466 and weekly earnings $13.75. For one of the higher paid jobs, tractor drivers, weekly hours were a little longer—30 hours per week, but their earnings were only $21.70 per week, based on a wage of $0.649 per hour—and this includes $1.79 "incentive" compensation. It is to be noted however that this relatively "high" wage by USDA standards applies to only 1,893 tractor operators or 2.4 percent of the total.

For a dull season month such as August, after the harvest is over, not only did employment fall off from its 80,302 peak in March to 35,850, but earnings also took a nose dive, averaging only $10.56 for not quite 24 hours a week.

Cane cutters are entitled to a special note. The $13.75 average of 1961 earnings they received for their "best" month, March, may be compared with $13.54 they received in March 1958, 3 years earlier—an increase of 21 cents per week, in the face of substantial increases in living costs. Moreover, in the 3 year period 1958 to 1961, the reduction in the number of cane cutters was 10,948 a decline of 19.4 percent or almost one-fifth. Meanwhile, their hours fell 5.3 percent, from 29.5 to 27.9.

What are the seasonal earnings of the canefield worker? It is difficult to estimate this exactly, but assuming the $13.75 per week previously cited for canefield workers in 1961, and assuming further a 4 month season—which we are certain many do not experience—then seasonal earnings might be in the area of $250 per year. What does the canefield worker do the rest of the year? He picks up such odd jobs as he can find; if he has a little patch of his own on the mountain side, he scratches from it what is possible; he draws meager unemployment compensation for very limited periods; and, increasingly, he goes when possible to work in the truck crops of New Jersey, Pennsylvania, and New York—and remains on the mainland if he can manage. In fact this discussion might well be headed: "Why Puerto Ricans Go to the Mainland". Our thesis is that much of this urge or push to migrate has been supplied by the misapplication for the "fair and reasonable" doctrine, as practiced by the Department of Agriculture with the ultimate responsibility resting on the Department's Secretary.

Furthermore, contrary to the notion that the situation in Puerto Rico represents something unique, consider the case of Florida where much of the work in sugar is done by migrant labor. In reviewing the intolerable conditions of migrant labor, the Sixth Federal Reserve District's Monthly Review said:

"*Earnings.*—Southern migrants earned an average of $644 for their farm work in 1959, according to the USDA. Since migrants are deprived of the fringe benefits usually enjoyed by farm workers, those wages represent everything they got from the farm. One reason these earnings seem so low is because migrants are not employed regularly. In 1959, southern migrants worked only 120 days, on the average, partly because they spent much time traveling from job to job and partly because work was often unavailable. Migrants harvest crops that are generally delicate, and they can do so only when weather conditions are just right. Then too, time is often lost while crops are maturing." [10]

And as to the question of whether or not these conditions would improve, the same article noted that, "despite this need for workers in Florida experts believe there is little prospect for much improvement in wages." [11] The reason: as the article points out and what almost everyone already knows, cheap labor,

[9] The following wage data were taken from the Department of Labor, Commonwealth of Puerto Rico's publication, La Industria Azucarera En Su Fase Agricola, 1961.
[10] Sixth Federal Reserve District, Monthly Review, January 1962, p. 3.
[11] Ibid.

due to a large available supply; and the cheap labor reduces the incentive to invest in capital equipment which would have the effect of raising productivity.

Productivity and labor cost.—The USDA as noted earlier, has been concerned that its wage determinations pay close attention to the question of the "ability of the growers to pay". We do not believe that the financial and profit position of the growers should be of decisive consideration in shaping the size of wage determinations, but if there is any question about the general position of the growers who represent the bulk of acreage and output in this highly protected industry, a few central figures should dispel any misapprehensions. First, it is worth recalling that large, landowning, and processor interests go hand in hand. Outstanding in this respect, in Puerto Rico, is Central Aquirre, with its landowning affiliate, Luce & Co. Further confirmation of the same fact can be seen by looking at the distribution of production by mills in 1960 and 1961. Note that the tendency is for greater concentration.

Production of sugar in Puerto Rico, by mills [1]

[Short tons, 96° basis]

Mill	1960	1961
Aguirre & Associates	108,455	128,015
Guanica	91,305	118,198
Mercedita	78,836	88,174
Coloso	72,007	73,554
Plata	52,949	52,657
Fajardo	47,819	52,297
Iqualdad	43,209	49,058
Total	494,580	561,953
Percent by 7 mills of total Puerto Rican production	49	51

[1] Manual of Sugar Statistics, 1962, p. 3. Association of Sugar Producers of Puerto Rico.

Over the years these interests, in which there is substantial mainland capital, have certainly prospered. They have assumed they are "entitled" to profit rates at least equal to those prevailing on the mainland, and their vast sugar plantation holdings have been highly instrumental in achieving this goal. Latest proof that investment funds find the sugar industry of Puerto Rico attractive is the appearance on the Puerto Rican sugar scene of the Brewer interests which are heavily involved in the sugar industry of Hawaii.

Further evidence on the concentration of land owning and control in Puerto Rico is provided by these figures: in 1960, 83.2 percent of the raw sugar was produced by 12.3 percent of the farms.[12] This means a numerically small group hire the great bulk of the field labor. Implicit, too, is the fact that substantially higher minimum wage rates would not entail higher payrolls for the numerically important farms which account for a small total acreage (those of 5 or less acres), for they do not hire labor. In fact, to the extent that their big farm "competitors" have to pay more for canefield labor, the cost disadvantage of the small farmer—and this would go somewhat above the 5-acre holdings—would be reduced.

As is well known, Florida cane is grown on large plantations. The USDA figures show that there are only 13 farms producing cane in Florida and considering the size of the output, there can be no question as to the earnings and profits of these concerns.

Productivity and real wages.—Since 1950, in terms of man-hours per acre of cane, labor productivity has risen nearly 40 percent in Puerto Rico, and the rise in Louisiana and Florida has been even more impressive.[13] At the same time, however, real wages of caneworkers in Puerto Rico have risen only 12 percent. Turning to chart II, we can see that the spread between productivity and real wages has been growing each year since 1953 with the exception of 1958. Since 1959, the trend has become accentuated. Note here that the Consumer Price Index for Puerto Rico has been steadily moving upward so that even by the

[12] La Industria Azucarera En Su Fase Agricola, passim.

[13] Productivity measures for the period are derived from the average increase of 15 percent for Florida and 12.51 percent for Louisiana which are given in "Labor Productivity on Sugarbeet and Sugarcane Farms in the United States." Sugar Reports, November 1961.

USDA criteria there has not been the slightest semblance of "fair and reasonable" wages.

In the mainland cane areas, the trend of productivity has been the same—only more so. In Florida, productivity in the period 1950–60 rose by roughly 150 percent, but this almost incredible rise in productivity has been "matched" by only a 34-percent increase in real wages.[14]

In Louisiana, real wages rose by 34 percent, but productivity during the same period rose by about 125 percent. The gain in productivity—which has meant lower production costs in every cane area, on the mainland and in Puerto Rico—has never been passed on to the workers who have contributed in large measure to the gain. Even the sugar industry makes no bones about the facts:

"Summarizing for all areas, reductions in man-hour requirements were made in every field operation but the most significant savings were accomplished in cultivation and harvesting. These savings are due in part to the increasing percentages of acreage mechanically thinned and mechanically harvested." [15]

Most important, note that it is precisely in the areas of cultivation and harvesting that wages have been and continue to be at levels which any reasonable person would call unreasonable.

The sugar workers as migrants, the most isolated and forgotten people in America.—The "Harvest of Shame," which so aptly describes the conditions under which migrant farm workers in this country live and labor, also applies to the sugar worker. For he, too, in many cases, falls under that ubiquitous term which categorizes America's most downtrodden and unprotected. For example, within the Sixth Federal Reserve District alone, there are roughly 85,000 migrant workers, earning an annual income of less than $700 and with virtually none of the protections given the urban worker.[16] In Florida, where the present "boom" in sugar is expected to result in a 250-percent increase in sugar acreage by 1966, many migrants have been employed in the canefields. With the USDA policy of keeping sugar wages as low as the prevailing farm wage in the area, it is understandable why the growers find it profitable to employ migrant labor in the canefields. Even with mechanization, the plight of the migrant continues, and one of the principal reasons is summarized in the comment of the Federal Reserve's article on southern migrants:

"Farmers have had little incentive to substitute machinery for this low-cost hand labor. Unlike harvesting equipment that is expensive for farmers to keep up even when not in use, migrant workers cost the farmers nothing when unemployed." [17]

The previously cited figures on Florida cane workers' productivity—150-percent increase in the past 10 years—dispels any argument with reference to what is due them, and the needs of these workers with annual earnings less than $700 is obvious. Finally, it is clear that the problem of the migrant worker cannot be alleviated without the efforts of the Government. For the effect of poverty is to breed more poverty. Impoverished families, whose livelihood is dependent on the USDA determination of the growers' "ability to pay," inevitably produce more ill-clad, undernourished, and poorly educated migrants, who, like their parents before them, are unable to escape the vicious cycle.

Collective bargaining for sugar workers.—Sugar workers in continental United States are excluded from coverage under Federal law which guarantees industrial workers the right to bargain collectively through representatives of their own choosing. The law does not forbid collective bargaining, but the growers are under no legislative compulsion to agree to bargain. Thus, an industry which enjoys the protection of the Federal Government is under no obligation to bargain collectively.

This situation derives both from the great political influence of the large growers, the masses of unemployed in growing areas, and from the organizational weakness of the workers. The situation is thus to some degree circular; the workers cannot readily organize because they are not organized, and the army of unemployed is competing for their jobs. Obviously, one step toward a solution lies in the adoption of amendments to Federal labor law to cover the sugar workers.

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[14] Ibid.
[15] Roy J. Leffingwell, "Human Relations," Sugar y Azucar, March 1962.
[16] Monthly Review, loc. cit.
[17] Ibid.

Who are the beneficiaries?—If the workers have not benefited from the generous subsidy enjoyed by the domestic sugar industry, who has? The answer is: All other segments have benefited, the big industrial users most of all.

The industrial users have grown rapidly in importance since the passage of the first quota legislation in 1934. At that time, they consumed about one-third of all the sugar used in this country; now they consume about two-thirds. The ordinary domestic consumer has increasingly purchased his sugar in the form of bakery goods, confectionery, canned fruits, carbonated beverages, chewing gum, and other processed items. For the industrial user, the Sugar Act has guaranteed a profit bonanza. The following figures (from Moody's Industrials) are profits after taxes as a percent of net worth for the companies listed for the period 1948 through 1960:

[Percent]

Company	Range 1948–60	
	Low year	High year
Coca-Cola	14.3	24.3
Pepsi Cola	7.1	24.2
Wm. Wrigley, Jr	13.0	21.0
National Biscuit	10.7	15.3
Hershey Chocolate	10.3	30.0

That section of the Sugar Act (sec. 201) which establishes the criteria to be used by the Secretary of Agriculture in determining the overall quota of sugar for consumption purposes, provides that the "determination shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry * * *."

The above profit figures demonstrate that the Secretary has certainly protected the welfare of these large sugar users, who, together with similar industrial concerns, consume two-thirds of the entire sugar supply. Obviously the price of sugar has not been "excessive."

Profits of sugar producers and processors have been adequate and assured. They have benefited from an assured market and a stable price. Now, under the circumstances of expanding domestic quotas, their outlook for the future is even better.

Rosy prospects for the domestic growers and processors are indicated by the "Special Study on Sugar" prepared for Congress this year by the Department of Agriculture. Projections made by this study group led them to the conclusion that "the domestic sugar industry has a substantial capacity to expand at present prices for sugar crops and present price relationships with competing crops."[18] And, "at prices and price relationships that have prevailed in the recent past, domestic sugar growers have the capacity to produce over 8 million tons by 1970 compared with 5 million tons in 1959—the base year for these projections—and the estimated 5.7 million tons in 1961."[19]

Growers have received many millions in sugar payments.—The Sugar Act entitles the beet and cane growers to certain payments in return for their observing the quota requirements and the child labor and wage payment provisions of section 301. The payment varies from 80 cents per hundred pounds of raw sugar on farms producing a small tonnage to 30 cents per hundred on farms producing a large tonnage.

The big Hawaii plantations receive payments at the minimum rate, while the small beet farms and small cane growers in Louisiana receive the maximum. This results in a highly anomalous situation; the area which pays the highest rate of wages receives the lowest rate of sugar payments, while the areas which pay the lowest wages receive the highest sugar payments.

[18] Op. cit., p. 3.
[19] Ibid.

Many growers who pay less that $1.15 per hour, the present Fair Labor Standards Act minimum, are nevertheless receiving payments from the Federal Treasury. We think that if the industry is to be subsidized, the subsidy should vary with the level of wages paid—the higher the wage, the higher the sugar payments.

Over the years during which such payments have been made (1934–60), they have aggregated $1,341 million.[20] This enormous sum has been paid to the industry out of the Federal Treasury at the same time that the industry has been paying the miserable wages described above.

Far more significant is the quota premium—amounting to $10 to $20 billion over the years since 1934—which arises out of the maintenance within the United States of a price which is higher than the world price. Both the domestic and the foreign producers have been benefiting from this price differential.

Our complaint is not with the existence of the subsidy. We recognize that the long run stability of the industry depends on the maintenance of a domestic price which is higher than the world price. Our complaint is that an industry which enjoys such a subsidy has not been compelled to pay a decent minimum wage to the workers who produce the sugar.

We estimate that in 1960 foreign producers alone received a windfall from the "quota premium" (the difference between the domestic price and the world price) amounting to $180 million. To raise wages to the statutory minimum required by FLSA, we estimate, would cost only about $30 million per year.

This estimate is based on Department of Agriculture figures on man-hours worked and assumes that all fieldworkers are entitled to the present FLSA minimum of $1.15 per hour.

The U.S. Treasury, under the terms of the present Sugar Act, already derives a profit from the act's operations. Receipts from the excise tax levied on the processors exceed sugar payments to the growers by some $25 million a year. This amount, too, should be considered in devising a means to bring sugar workers' wages up to the minimum. This sum alone is almost enough for the purpose.

In view of the windfall which foreign producers for the American market receive from the quota premium, in addition to the income from the excise tax, we believe that by exercising some imagination in redrafting the wage provisions of the Sugar Act, the necessary increase could be paid without hurting the domestic growers in the least.

It is quite obvious that funds are available or could readily be found within the operations of the Sugar Act, to assure all sugar field workers a truly "fair and reasonable" wage.

Franklin Roosevelt enunciated the basic policy: that an industry which receives a Federal subsidy should pay an American wage. The time is long since overdue to apply this principle to the sugar industry.

What we propose.—The Sugar Act should be amended to provide:

1. That sugar compliance payments be made conditional upon a willingness on the part of the grower to recognize a bona fide union as the collective bargaining agent of the fieldworkers whenever it represents a majority of the work force.

2. That consideration should be given to raising the minimum compliance payment particularly in those areas which pay the FLSA minimum.

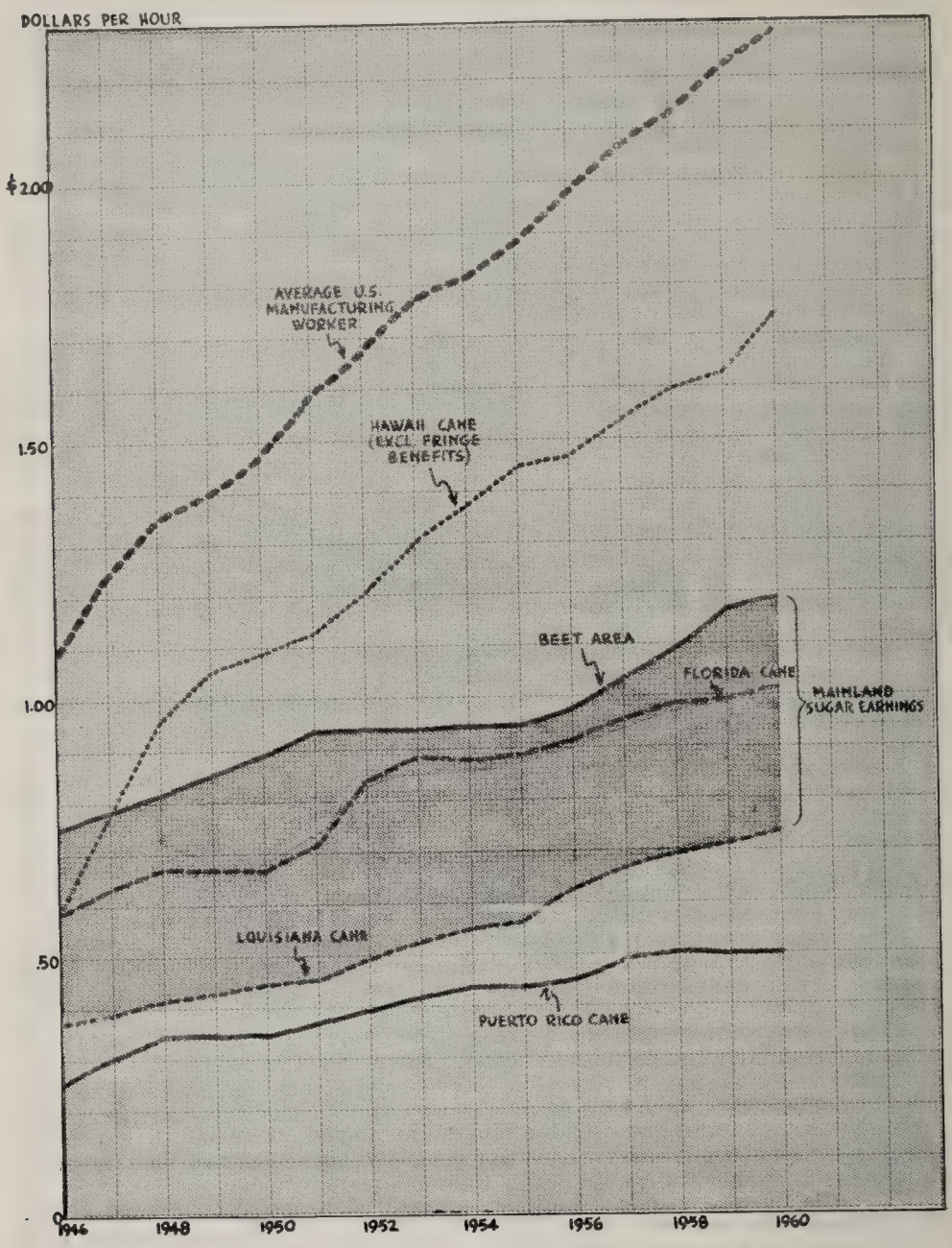
3. That the Sugar Act be amended to require payment of FLSA minimum wages to fieldworkers, and to provide the appropriate compensatory payments to the growers. In the areas where wages are lowest, the time period might need to be longer than in areas where wages already come close to the minimum, but in no instance should the time period exceed 3 years.

4. That the Secretary of Agriculture be required to make an annual report to the appropriate committees of Congress showing how the fieldworkers have fared with respect to wages and working conditions, and that he be charged with the duty of effective enforcement of the program.

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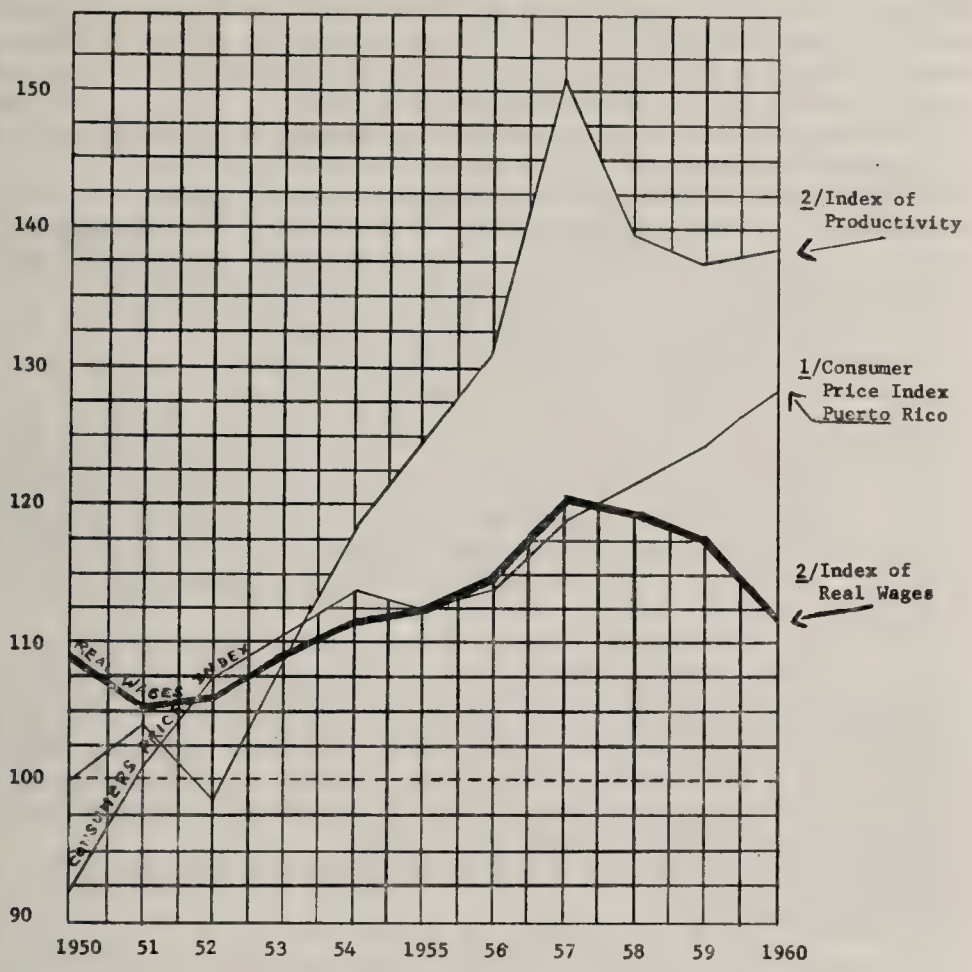
[20] Source: For 1951–59, Agricultural Statistics, 1960, pp. 546 and 547; for 1934–50, House hearings on extension of Sugar Act, Committee on Agriculture, serial J, p. 81. The figures for the years 1934–50 include Sugar Division administrative expenses.

CHART I.—AVERAGE EARNINGS OF FIELD WORKERS IN DOMESTIC SUGAR-PRODUCING AREAS, COMPARED TO AVERAGE EARNINGS OF MANUFACTURING WORKERS, U.S., 1946–60



SOURCE: U.S. DEPARTMENTS OF AGRICULTURE AND LABOR

CHART II.—AGRICULTURAL LABOR-SUGAR-PUERTO RICO PRODUCTIVITY VERSUS REAL WAGES



1/ Bureau of Labor Statistics - Consumer Price Index - Puerto Rico

2/ U.S. Dept. of Agriculture - Agricultural and Stabilization Service - Sugar Division - Sugar Reports - Index of Acreage vs. Manhours.

Mr. POAGE. Thank you very much, Mr. Fischer. I have some questions. These questions go much farther than the immediate application of the Sugar Act. You state that agriculture should pay maximum wages. What will be the effect on agriculture if it attempts to do so? I wonder if you would care to give us any suggestions supplementing your paper. Can agriculture pay such wages? Can it pay wages comparable to those in industry? What is your opinion about that?

Mr. FISCHER. Our thinking is represented in the point of view not that it is a question of whether it is an industrial wage or whether it is an agricultural wage. Our point of view is based on whether or not it is a reasonably good living wage, a wage by means of which a man can bring up a family and feed his children and educate them and provide them with the proper medical care, etc.

Mr. POAGE. You do not think that any industry is paying more than living wages, do you?

Mr. FISCHER. Well, I would never agrue as to that point.

Mr. POAGE. I am speaking seriously. You have got to consider this. There are areas such as the oil industry in Texas, where they pay good wages. I was talking to a man in Houston the other night about that. They pay what we consider to be right good wages.

Should agriculture in that area pay $2 an hour? Is it wise for the country, for agriculture, to try to pay $2 an hour?

Mr. FISCHER. Let me say that I would think that it would be very wise for the country to pay wages, as I say, high enough to provide all of the citizens in the country with a reasonable standard of living. We have pointed out in our statement here to sources of Government income that currently exist which we feel would be more than enough to bring the minimum wage for the sugar-field workers up to what it should be.

Mr. POAGE. I understand that. I realize that your statement is, basically, on the sugar problem. I was just asking for your opinion, if you care to give it to us, on a much broader problem, one, I think, that this committee will have to deal with. I was not confining myself to sugar. I am just asking the broad question, is it desirable, is it practical for agriculture to pay, let us say, $2 an hour, which certainly, is not an unreasonable industrial wage, is it?

Mr. FISCHER. Mr. Poage, if you are asking me if it is practical for the sugar industry——

Mr. POAGE. No; I am not talking about the sugar industry, except as it relates to the rest of the Nation. I recognize that maybe you do not care to discuss the broad aspect I have mentioned. I will not push you to do so.

Mr. FISCHER. It is not that at all. I recognize just as we have suggested to sources of income in the sugar industry, that is, to the Government in the sugar operation as a means of assisting the farmers who happen to be producing sugar to accomplish this end, I am sure there are and that there could be devised similar methods to assist the farmers in other areas who might be faced with a serious economic problem if somebody came along and said, "Beginning tomorrow you have to pay $2 an hour."

Mr. POAGE. Are not all farmers faced with a serious economic problem—would they not all be faced with that problem at $2 an hour? The only alternative it seems to me then is a substantial increase in the price of agricultural commodities. To raise agricultural wages to what to some might appear to be fantastic levels would be forcing agricultural prices up and the consumers would have to pay the bill. Everybody in the country would pay it in increased cost of living.

Is it desirable? That is what I am trying to find out. I think that we can see a lot of things that might stem from it. Probably it would stop all of these so-called more efficient operations. The man who has six children and who is willing to work at starvation wages, his wife and himself, can produce and sell at a much lesser cost than a large operator can who employs all his help at $2 per hour. What do you think about the impact of that on our society? That is what your discussion about agricultural wages leads to. Is it desirable to give that man who is willing to take lower standard of living for his family—is it desirable to let him do so? That is what I am trying to get to.

Mr. FISCHER. I doubt, sir, if you will find any of them refusing it if they have an opportunity to get it.

Mr. POAGE. The man who is farming on his own and has a large family to whom he pays no wages, he does not do that.

Mr. FISCHER. That is right.

Mr. POAGE. It is all in the family. He can lower those wages by lowering his living standards. He can sell let us say, if you pay $2 an hour for the workers, he can sell that sugar for 5 cents when it should be 10 cents to meet the costs of the man paying $2 an hour.

Mr. FISCHER. Perhaps, I am not quite following you, sir. Maybe if I attack it from this point of view it may have some bearing on your question. Certainly, it is my belief and conviction that if we succeeded in raising wage levels of all agricultural workers to, say, $2 an hour, the economy of this country would receive a tremendous shot in the arm, because quite a considerable number of millions of people would be able to buy products, including agricultural products, that they are not presently able to do.

I, certainly, think from my point of view, from the point of view of the economy—from the point of view of the health—from the point of view of the social welfare of the Nation's community it would be a very, very important gain in our society over our present situation.

Mr. POAGE. I think there is no question about that. I think what you are saying now is true and I will accept it. It would be desirable to pay just as high wages as an industry can afford, as was suggested by Mr. Ford years ago.

Mr. FISCHER. Do not associate me with that.

Mr. POAGE. He was talking about $5 a day. You are talking about $5 an hour now. But that was a high wage in his day. It was a high wage.

Mr. FISCHER. It certainly was.

Mr. POAGE. And Henry Ford suggested that industry should pay as high a wage as it could afford to pay, in order to achieve a greater buying power. I think that America generally accepts that now. I gather, certainly, from what you are saying now that if you increase the buying power of these people working in agriculture that it would be to the benefit of this country. I do not think there is the slightest doubt about that. But I think that the question arises. You would increase the pay of about 2 million agricultural workers in the United States—that is about what the number is, is it not?

Mr. FISCHER. I suppose so.

Mr. Poage. It is I think something of that order. If you double their income or triple it, would it create enough buying power to offset the increased cost of living which is going to effect everybody? It is perfectly obvious that in some instances the costs will go up so much that it would not be possible or profitable to harvest the crop.

I am not trying to express my views, because I honestly do not know the answer. I am just wondering if you have an answer. Is there enough increase, or can we seriously anticipate enough increase in buying power, even by tripling the buying power of those 2 million workers to offset the additional cost that has to be passed on, as you know. And that is not the whole cost, as you know, because it will be many times that before it reaches the consumer. Would it do it, that is what I want to know.

Mr. Fischer. Let me suggest two reasons at this point that make me feel that it would.

Number one—and this is pretty well demonstrated on the record—the very dramatic increase in productivity in agriculture in general—and I have given you specific figures in the sugar industry—we feel would, certainly, in the record up to date indicate that it would, by itself overcome the problem you are suggesting.

And the second reason that perhaps does not occur to most people very often is this, in 1953 there was a strike in Louisiana in the sugar plantations. The strike was crushed but I am sure that the sugar farmers in Louisiana succeeded in crushing it only at great expense—a lot of money was involved. Similarly, just last year in the Imperial Valley in California there was a strike. This was not in connection with sugar. This was in connection with other agricultural commodities. There, again, I am sure that large sums of money were spent in bringing that strike to a conclusion.

In Puerto Rico every year there are strikes here and there. Since we have represented about 50,000 of the sugar workers in Puerto Rico, to my knowledge there has never been a general strike of all of the sugar plantations in Puerto Rico. However, every one of these situations cost a lot of money. Whether they are won or lost they cost a lot of money.

When we are faced with a situation where workers are expected to live on $10 to $15 a week—and mind you these workers in Puerto Rico work only 3 to 5 months a year, that is all—when we are faced with that kind of a situation I think we are doing nothing but breeding the possibility in the future of a situation that could become tremendously expensive, to say nothing of holding within itself other possible dangers that I do not even like to think about.

And the fact is that workers, whether they are organized or not, sooner or later, if they are forced to live in this kind of a way are going to blow up.

I do not know whether I have answered your question or not. These are two aspects.

Mr. Poage. No, I do not think so. I appreciate your comments. I do not find fault with the feeling that poverty without improvement leads to revolution. I think that is true. But I think we have to answer the question as to where the suggested reforms ultimately will lead. I think often we refuse to answer those questions. I do not

mean that you have refused to answer them. We all refuse to face them.

I think you will recognize that if we are to raise agricultural wages over the Nation to the same level of industrial wages now or, let us say, to $2 an hour that somewhere there has to be a tremendous increase in the productivity of agriculture to pay for it. It is just not fair to say that agriculture products have to sell at present prices. You can pick cotton, and you pay $3 a hundred to pick it. There are 1,500 pounds of seed cotton in a bale. That is $45 a bale. If you triple that wage that is $135 a bale for picking it, is it not?

Mr. FISCHER. That is right.

Mr. POAGE. If there were no other expenses in the world attached to it you would have to get about 28.5 cents a pound, just to break even. But there are other expenses—obviously, there are other expenses than the expense of picking so you do not come out even if you sell that cotton at the present price of about 32 cents. The man who does that is coming out with a loss of $30 or $40 for every bale that he produces. That is, if he hires labor to do it.

Of course, the man who does it himself with his family, by ignoring the family wages, can sell that cotton for $150 a bale which is 30 cents a pound. And I think he would continue to do that. I think that is exactly what he would continue to do. And you would put every one of these large operators out of business by doing that.

Mr. FISCHER. I, perhaps, the simplest answer to that specific question is this: We would not propose that beginning next Monday wages of agriculture workers be doubled or tripled or even be increased 50 percent. We would suggest, however, that the record of what has taken place with the wages in industry and in service areas and so on and so forth over the country has taken place over a length period of time. At one time, of course, industrial workers were getting as little as agricultural workers are now receiving, but what we do strongly recommend is that, at least, the agricultural workers be provided with legislation that will truly protect their interests and begin at long last, after 28 years, to show them a clear future with steadily increasing wage levels.

That kind of an approach, Congressman, when coupled with the steadily developing productivity and mechanization and automation or whatever you want to call it I think could easily result in a situation where prices would not necessarily have to go up.

I have no crystal ball. They might go up here and down there, depending on what you may be talking about. The fundamental essential thing that we are looking for is, at least, some part of a green light for these people to look at to see some real guaranteed progress before them for the first time in 28 years.

Mr. POAGE. I do not find fault with your suggestion at all, but I would like for you to state what might be reasonably expected down the line in 4 or 5 or 8 or 10 years, now. I do know that if you keep paying out more in production for the commodity than you get for the commodity you cannot keep doing that, not for very long. And agriculture is no exception to that, except to the extent where the cost is hidden in a lower living standard for the farmer and his family because he does not pay wages.

Mr. FISCHER. In a sense you are quite right. However, I am sure that you will agree with me that the number of small farmers over the years is steadily decreasing, and the amount of acreage they have for production is, also, federally decreasing. Actually, Congressman, I feel, certainly, in terms of the Sugar Act and the current situation in regard to the Sugar Act that the Congress could take one step forward in this direction even if it is only limited to the workers in the sugar area.

Mr. POAGE. I recognize that you came here to testify on the Sugar Act. I do not want to be unfair to you and to ask you to get off on something that is well beyond the scope of what you anticipated discussing here. I do appreciate your discussion of this, I think that the whole thing is of tremendous importance to us and I do not think that we will solve the agricultural problem until we do solve the relationship between agricultural wages and the prices of agricultural products.

Mr. SHORT. I would like to get back a little bit more directly to the subject of sugar. Let me ask you this. We have heard quite a little bit since the hearings started—perhaps it was only an inference, but I sort of got the impression that foreign sugar production was a good deal cheaper than sugar production in the United States and perhaps we should be giving some serious thought to importing a larger portion of the sugar than we are even now importing, since the lower price at which the foreign suppliers could furnish this sugar could be passed on to the consumer. Let me ask you this question. If the foreign countries paid wages a little bit more similar to or equal to—I will put it that way—the wages that are paid, for instance, in the beet sugar industry in the United States could they produce this sugar much cheaper than it appears our domestic producers do now?

Mr. FISCHER. Do they produce it in those foreign countries, do you mean?

Mr. SHORT. Yes.

Mr. FISCHER. I am afraid you have touched on a question that I do not feel competent to answer, Mr. Short. I suppose to a considerable extent that would depend basically on the degree of mechanization in that particular foreign country.

Mr. SHORT. Let me ask one more question. I am sorry that I was late and did not hear the first part of your testimony. When I came in you were talking about wages. And I believe largely in relation to cane sugar production?

Mr. FISCHER. Yes.

Mr. SHORT. I do not believe you said anything about the level of wages in beet sugar production. Up in our part of the country, in the Red River Valley, in North Dakota and Minnesota if I understand correctly, they pay relatively high wages in the beet sugar industry.

Mr. FISCHER. Yes, you will notice at the back of the full statement that we have a chart, the first one, which sets forth the average earnings of fieldworkers in domestic sugar producing area, including beet and cane. The beet area rates as of 1960, that is, the earnings, showed approximately $1.19 an hour. That is for the entire beet sugar industry.

Mr. SHORT. This is for the year?

Mr. FISCHER. Yes. I would assume that would vary from higher figures to lower figures, depending upon the particular area.

Mr. SHORT. The $64 question that we are all faced here with in this overall consideration of how much labor we use in agriculture and what kind of wages we pay is always related in this area of history, at least, to how high can these wages be raised before it starts a trend toward the utilization of more mechanization to the end of elimination of labor. I live on a ranch where in my lifetime I remember that we used to use as many as five or six or seven ranch hands almost the year round, and now we do the same a little bit more than we used to do with only one or two ranch hands. It is due to mechanization which has brought that about. And we pay a very considerably higher wage than we did years ago; in fact, I think that we pay most of these ranch hands $200 and $300 a month.

But in beet or sugar cane production it seems to me that we have to face this, how high can we raise the wages before we start displacing labor with more mechanization? When you see some of these new machines these days it make you kind of shudder a little bit when you begin wondering what will become of the people that are being displaced. I saw a tree cutter just the other day. They told me that it would displace about 100 men in the harvesting of pulpwood. And the first question you ask is, "What will these people be doing when they are replaced?"

There is unemployment in this country now which is at a very high rate.

Mr. FISCHER. This, of course, I think is the one single biggest problem we have to solve in this country. And when I say that I am not talking about agriculture or industry or anything else. I am talking about the overall problems we are facing. Certainly, if you are interested in the position of our union in respect to this whole business I can say to you that our policy as an organization is not to oppose in any way the introduction of more mechanization or automation, because essentially all through the centuries of civilized humanity, anyone who devises a method of lifting some of the burden from the backs of people is contributing a service.

However, it is undoubtedly true that we are living today in a period where this development has accelerated to a degree that it is becoming—it is almost running away with our society—and the only thing that we say as an organization is, "Bring in your mechanization—bring in your automation—we will not object to it, but only do so if you bring with it the kind of social action or legislation, whatever you like to call it, that will take care of the people who are displaced one way or another."

There are many ways to do it, such as shorter workweeks, for example, an earlier retirement age, a longer period of education for our children. There are a considerable number of approaches to the overall problem. And all we say about the thing then is that we will not oppose it, but it is incumbent upon you to develop something that will balance it as it comes into play.

Mr. SHORT. It has been shown, however, it seems to me, that that policy without some greater restraint on imports and substitutions to some degree works in the end to some disadvantage of what we are

attempting to do. I think perhaps the classic example in America—and I think that maybe you will agree with me on it—has been the experience of the United Mine Workers. Mr. Lewis worked hard and strenuously to raise wages for the mine workers. Yet the end result has been that coal became so costly, at least, in my understanding of the overall situation that people started to look for substitutions. And what has happened? We still have the wage scale in operation but we have unemployed miners.

Mr. FISCHER. It would take a good bit of time to resolve that.

Mr. SHORT. Yes, it will take a good bit of time to analyze this entire wage-cut problem. I, certainly, agree with you that it is one of the biggest problems this country has to face.

Thank you.

Mr. FISCHER. Thank you.

Mr. LATTA. There have been several questions that came up this afternoon that, certainly, will go unanswered. I would like sometime to have somebody advocating the same position that you do to give us some answers to these questions.

I sat on a subcommittee with a very able gentleman from Arkansas, Mr. Gathings, and we received the same answers to the same questions which were raised at that time. They explained it by not giving any answers. I hope that I will be here long enough to get the answers to these problems, that is, to the questions propounded by the chairman today.

I would like to live in a dream world where everybody engaged in this type of work would be able to send their children to high school and even have them receive a college education. But the question is how? You say raise the wages. Maybe they ought to have $2 an hour. The question is how do we do that? What particular figure are you advocating that we have as a minimum wage in the sugar industry?

Mr. FISCHER. Of course, what we are suggesting in this document, Mr. Latta, is not $2 an hour.

Mr. LATTA. What is the figure?

Mr. FISCHER. It is a minimum wage of the present, $1.15 an hour. Frankly, we feel very strongly that this is not too much money for anyone to live on in this country today, no matter what kind of work he does.

We have set forth for you in this document sources for the necessary funds with which to accomplish this. One source is in the nature of a clear profit that is coming into the Federal Treasury. The other is a tariff premium.

Mr. LATTA. The other is what?

Mr. FISCHER. With a fraction of the total sum represented by those two you could bring everyone up to $1.15.

Mr. LATTA. Did I understand you to say that the other was the tariff?

Mr. FISCHER. Yes, sir.

Mr. LATTA. What position do you take on free trade? Are you not supporting the President's recommendation on free trade?

Mr. FISCHER. We are not recommending a tariff, but there is one in effect and it brought in $37,500,000 last year.

Mr. LATTA. But you are supporting it?

Mr. FISCHER. We are suggesting that as long as it is in existence there is a place where some money can be received to be used for such a purpose.

Mr. LATTA. To increase these wages?

Mr. FISCHER. Yes.

Mr. LATTA. If you increase the tariff you have got to increase the price.

Getting back to the questions that the gentleman from North Dakota was asking about production in other countries, as to the cost of production being much lower, then you get right back to the question here, and you ought to have free trade and support the President's program, which might be good and let all of these imports come in—let the sugar come in at the world price—what happens then to the people we have been trying to get up to $2 an hour wage. They are displaced as the housewife will not pay 10 cents a pound for American sugar when she can buy it for 5 cents per pound. You know that and I know it.

Mr. FISCHER. We have not raised any question concerning the present operation of the Sugar Act with the single exception of the responsibility we feel that the language in the act provides for guaranteeing a fair and reasonable wage for the workers in the industry.

Mr. LATTA. Everybody ought to have a living wage. I agree with you. What kind of living wage is this in dollars and cents for this worker who is now getting $1.15? What do you suppose that would be?

Mr. FISCHER. Pardon me, the $1.15 figure is the figure we are suggesting.

Mr. LATTA. You are suggesting $1.15?

Mr. FISCHER. The Puerto Rican worker is getting anywhere from 36 cents up to maybe as high as 70 cents.

Mr. LATTA. This $1.15, in that are you taking into account the benefits that the farmer might give to his workers?

Mr. FISCHER. Yes, sir.

Mr. LATTA. And it still only amounts to $1.15?

Mr. FISCHER. I would ask the Congressman if he by any chance has ever visited any of the sugar plantations in Puerto Rico?

Mr. LATTA. No, I have not been in Puerto Rico.

Mr. FISCHER. Let me assure you, sir, that the living conditions of the sugarworkers in Puerto Rico are a thing that you would not like to see.

Mr. LATTA. Let us get right back to the continental United States. We have some workers in northwestern Ohio. And we have workers coming in from Texas every year. We ought to improve the conditions that these people live and work under. But the people who are advocating this never tell you how you are to meet the problem, without increasing the overall costs.

I cannot go along with this new idea that we give Government checks to solve every problem.

Mr. FISCHER. Sir, do you see any difference between the Government helping them and the Government helping the producer, the grower?

Mr. LATTA. Who?

Mr. FISCHER. The growers and the producers. Is there any difference in principle as to which one gets the Government check?

Mr. LATTA. There might not be any difference—I do not know—but I think that the thing that we fail to face up to and particularly that the union fails to realize is, that when you advocate this higher wage of maybe $2 an hour, that there is a difference in the skills involved. I think that we should always compensate for the difference in skills. I do not think that a man who works in the Ford plant on a very highly developed machine should be paid the same type of wage as the person out in the field. I do not think that we can discount the skill factor.

Mr. POAGE. Thank you. Are there any further questions? If not, we are very much obliged to you, Mr. Fischer. It was an interesting discussion. I realize that I did most of the talking, and that I did take up too much time.

Mr. FINDLEY. If Mr. Fischer has concluded his statement, I should like to ask if there is any specific language that he would recommend to achieve the goal of relating subsidy payments to increase in wages?

Mr. POAGE. I think that you will have to read his statement to determine whether you feel he did or not.

Mr. FINDLEY. Do you have any specific language to recommend to the committee which will accomplish this objective?

Mr. FISCHER. No, sir; I do not. My material is based on research work, no lawyer has anything to do with it. However, we would be most happy to develop some such language if it would be desired by this committee.

Mr. FINDLEY. I think that it would be helpful to have that for the committee to consider—to see how workable it might be.

Mr. POAGE. Thank you again, Mr. Fischer.

Mr. FISCHER. I want to thank all of you for your courtesy.

Mr. POAGE. We will now hear from Mr. Louis Goldblatt, secretary-treasurer of the International Longshoremen's & Warehousemen's Union.

STATEMENT OF LOUIS GOLDBLATT, SECRETARY-TREASURER, INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION

Mr. GOLDBLATT. Mr. Chairman and members of the committee, I have already made an attempt to strike out from my testimony anything that could be a duplication of items covered by Mr. Fischer.

First, let me express my appreciation for the opportunity to appear here and testify upon the Sugar Act.

Our union represents the sugarworkers in the State of Hawaii, both in the field and in the mills.

We have prepared a full statement of our position and would appreciate having that entered into the record.

Mr. POAGE. Without objection, that will be done at the conclusion of your remarks.

Mr. GOLDBLATT. Let me hit the highlights of what we believe is our basic position concerning the Sugar Act and our recommendations to the committee.

First, let me make clear we appear here as friends of the committee and as friends of the sugar industry. We would like to remain friends, too.

We believe that the sugar industry should be given every encouragement to grow and prosper.

Secondly, we recognize that there is a need for a Sugar Act as long as we continue in what has been called a managed economy of this particular commodity.

Third, the Sugar Act has operated so as to achieve most of its basic purposes, namely, to supply an adequate amount of the commodity itself at a comparatively stable price, with protection for the grower and the processors.

Fourth, we believe there has been a major failure and shortcoming in the administration of the act, in reference to the wage provisions, because the administration of that provision has not brought about fair and reasonable wages for the sugarworkers.

Fifth, we feel strongly that the failure to remedy this fault can very well result in both the discoloration and as well the possible destruction of the entire sugar program. And if I might elaborate for just a moment considering that particular point.

This is a managed economy—sugar. It is an economy where on many occasions it has been attacked by industrial users, attacked by individuals who consider the entire sugar program a new subsidy to the industry at the expense of the consumer. There were many years when the anethema of many political hucksters was the so-called terminology of sugar lobbying. And when somebody was short of any other material for a revelation of what goes on behind the scene in Washington the sugar lobby always provided that additional outlet.

Now we find a situation developing in this country where the center of gravity of the production of sugar for consumption in the American market had shipped to domestic producers and under those circumstances we know that the sugar industry will be examined more carefully than ever before and that the entire sugar program will be looked at with much greater care than ever before.

This new Sugar Act can either be a genuine blessing to the domestic industry or it can be one that very well may open up a Pandora's box of unlimited criticism and attack.

Insofar as our studies have shown, we are convinced that if this industry fails to provide the underpinning of fair and reasonable wages for these workers, the people in the field—if it fails to provide that underpinning for the entire structure of the domestic production of sugar, it will not be long, Mr. Chairman, we submit, before the attack on the entire act becomes so severe that it will be in serious jeopardy, and both the industry and the act itself might very well fall.

Mr. GATHINGS. How long do you mean?

Mr. GOLDBLATT. How long?

Mr. GATHINGS. Yes.

Mr. GOLDBLATT. I would say, sir, that I would not be a bit surprised if the act is passed in its present form without making some provision for a fair and reasonable wage as spelled out in the act that we might see this occur within a year—that the climate that would then occur when the facts are known to the American people as to what the Department of Agriculture has considered fair and reasonable wages when these facts are known that there will be a wholesale rebellion among many consumer groups, among many branches of our society, from trade unions, church groups, and others.

Mr. GATHINGS. These consumer groups, are they really consumer citizens?

Mr. GOLDBLATT. I am not talking about——

Mr. GATHINGS. They are organizations to high pressure Congress, is that not what they are?

Mr. GOLDBLATT. Well, if you are talking about the consumer group that appeared here the other day in the form of the industrial users, I would be compelled to agree with you. I do not quite see the Coca-Cola Co. as really a genuine consumer group. Their products might have a great deal of consumption.

Mr. GATHINGS. There were groups that appeared before our subcommittee on supplies, equipment, and manpower that were termed consumer groups.

Mr. GOLDBLATT. No; I am representing a union here, sir. My purpose here is to speak as a representative of the sugarworkers in Hawaii and, also, to speak in terms of what impact this has upon these workers.

Mr. GATHINGS. How much are the workers getting for this work in Hawaii in the mills and in the fields?

Mr. GOLDBLATT. They get a fairly substantial wage compared to other workers.

Mr. GATHINGS. How much are their dues to the Longshoremen's Union?

Mr. GOLDBLATT. Their dues per month?

Mr. GATHINGS. Yes.

Mr. GOLDBLATT. It varies by units. Some pay as low as $4 and some pay as much as $6.

Mr. GATHINGS. Is that dollars a month?

Mr. GOLDBLATT. Yes.

Mr. GATHINGS. $6 a month dues to the Longshoremen's Union in Hawaii?

Mr. GOLDWATER. They pay those dues—if you will let me answer your question.

Mr. GATHINGS. That they pay $6 a month to your organization.

Mr. GOLDBLATT. Will you let me answer your question?

Mr. GATHINGS. Yes, I wish you would.

Mr. GOLDBLATT. Fine. Their dues vary by units, in other words, the people in the particular units decide what their dues should be. Their dues, their actual dues are per capita to the Longshoremen's Union, the international.

Mr. GATHINGS. Do you draw a salary with the Longeshoremen's Union?

Mr. GOLDBLATT. Can I first finish the answer to the first question, sir?

Mr. GATHINGS. You may.

Mr. GOLDBLATT. All right, sir. I am trying to answer it.

Mr. GATHINGS. Yes, sir.

Mr. GOLDBLATT. The per capita that is paid to the International Longshoremen's Union, of which I am secretary-treasurer, is $1.20 per month.

Mr. GATHINGS. Yes, sir.

Mr. GOLDBLATT. That is their per capita.

Mr. GATHINGS. How much of that $1.20 does the secretary-treasurer get?

Mr. GOLDBLATT. My salary is $245 a week, and you can figure it out per month.

Mr. GATHINGS. What are your expenses?

Mr. GOLDBLATT. My expense allowance—my ordinary running expenses are $35 a week. When I travel to a city, such as Washington, D.C., I am paid an allowance of $20 a day in addition.

Mr. GATHINGS. That $20 is probably reasonable considering the costs here.

Mr. GOLDBLATT. That is not quite as much as you Congressmen make, but I can get by on it.

Mr. POAGE. Before you proceed, may I suggest——

Mr. GOLDBLATT. I was trying to testify on the act.

Mr. POAGE. I do not want to cut you off, but I do want to suggest that during the last few days this committee has operated on the basis of letting the witness finish his statement, and then to examine the witness. I think that there is a saving of time by doing that.

Mr. GATHINGS. Very well. I just understood, Mr. Chairman, that this witness asked, Mr. Goldblatt, as I understood, that you wanted this incorporated in the record.

Mr. GOLDBLATT. Yes, sir.

Mr. GATHINGS. That is, your prepared statement, and that you were giving us a summary, an abstract of your views.

Mr. POAGE. I think that we can proceed a good deal faster—and we are getting way behind—I thought that we could move a good deal faster if we let the witnesses complete their statements and then question them. I do not want to cut anybody off in questioning. I have no objection to your questions, but I do feel that we should not ask the witness any more questions until he completes his statement and then we will question him.

Mr. GOLDBLATT. I appreciate that statement. I, also, want to make it perfectly plain that I do not feel a bit offended by some of the interruptions by the questions that were asked by the Congressman. I was making the point at the time that a failure to remedy this basic fault in the structure of the Sugar Act, namely, the fact that there is no provision in this Sugar Act itself for what is a fair and reasonable wage, could very well become the Achilles heel of the entire program and bring about its downfall. And we do feel this very strongly, because you do have a managed economy in the case of sugar. And all of the hearings and deliberations of this committee have concerned themselves with how best to manage the economy; how best to make a determination of a consumption estimate; how the quotas ought to be allocated; the manner in which foreign sugar ought to be brought into this country; and all of the other technical aspects of the act. That is a completely managed economy. There is no question about that.

The one part of it that has remained completely unmanaged is that provision of the act that refers to the application on the part of the Department of Agriculture to fix fair and reasonable wages. Consequently, instead of the Department of Agriculture approaching this subject in terms of a managed economy it has merely become a front to approve whatever wages are found in any particular agricultural area. Otherwise, there is no way to explain how the same Department can, on the one hand, approve a wage of $1.46 an hour, which is

the minimum labor grade in Hawaii, they approved that as a fair and reasonable wage, and move on to California and approve 95 cents an hour as fair and reasonable, and 60 cents in Louisiana, and 36 cents in Puerto Rico, or 50 cents in the Virgin Islands.

Quite to the contrary, the Department of Agriculture by its procedure has not either lived up to the admonitions of the act and its requirements, but has gone further and become a handicap to the workers themselves.

Each time we have been in negotiation with the employers, asking for improvements in the wage structure or some of the other benefits, in the case of the Hawaiian sugar workers, we find ourselves arguing not against the wages paid by other employers in other parts of the country, but by the fact that the Department of Agriculture has approved much lower wages as fair and reasonable in other parts of the country.

The present Sugar Act before this committee calls for an allocation to the domestic producers close to 60 percent of the sugar requirements of this country, with a growth formula which provides an even larger amount, 63 percent of the growth. Under those circumstances, we believe that there ought to be a shift in the whole orientation of the Department itself and in the emphasis of the act, because in years past, in many cases, both the Department and other interested parties in sugar legislation constantly examine the price of sugar, not in terms of what the cost is to produce a pound of sugar under American conditions, but they look at it instead as Congressman Short pointed out a short while ago, "What is the cost of production in some foreign area?" Is it not true that in some foreign area sugar can be produced at one-half the price of American-produced sugar? That is true—that is true—no question about that.

I am sure that the wages paid in Brazil, probably, would produce sugar at one-half cost of most American growers and producers, but the moment we shift over toward a major dependency upon U.S. growers and processors as to the cost of our sugar—60 percent in this act and even more with the growth formula—then the orientation of the Department has to be not as to what sugar can be bought for on the world market—it has to be in terms of what does it cost to produce under American conditions?

And under that same set of circumstances, we feel that the Department is then required, as well as the committee, to write into the act what are American standards, when we talk about fair and reasonable wages.

There has to be a determination made by our Government, by this Congress, as to what is a fair and reasonable minimum wage. It is in the Fair Labor Standards Act. It is $1.15 an hour at present. That is a fair and reasonable minimum wage. And the U.S. Congress in its wisdom did not describe this Fair Labor Standards Act minimal to be one thing in Colorado or Nebraska and another in Louisiana or in Texas. That is a Fair Labor Standards Act minimum for the country as a whole.

There is one exception in the case of Puerto Rico and the Virgin Islands and one or two other areas where separate determinations had to be made, but there is a definition of fair and reasonable minimum wages by Congress in the Fair Labor Standards Act. Conse-

quently, we have come to the conclusion that the Sugar Act should not be extended unless provision is made by the committee and by Congress to write into the act the definition of fair and reasonable wages as a Fair Labor Standards Act minimum. We think this is sound and I would like to give you a few more reasons why we believe it is sound.

It is not only the Fair Labor Standards Act minimum which is higher than the Department of Agriculture fair and reasonable wage which I have already mentioned, but the Secretary of Labor, acting under the authority of Public Law 78, has set minimum wages for Mexican nationals who come into this country to work in the lettuce fields of California and Arizona. The rate is 24 cents per carton, or $1 per hour, at the discretion of the worker. The piece rate, according to a recent survey, January 1962, by the Labor Department produced average earnings of $1.36. Consequently, an individual might work 1 month in the Imperial Valley at a rate which paid him $1.36 an hour with a definite guarantee of $1, but the next month if he moves up into the beet area he only is guaranteed or entitled to 95 cents an hour under the Department of Agriculture determination for 1962.

We find a situation where the Department of Labor is fixing a higher wage for Mexican braceros coming into work in California than the Department of Agriculture is fixing for a beet worker in the same area. As a matter of fact, a worker from Louisiana could slip across the border into Mexico, pick up a few words in Spanish, come across the line posing as a Mexican national and get $1 an hour while, if he continues to work in Louisiana under the Sugar Act, he gets 60 cents an hour.

That causes inequities in our opinion. That is a further thing that will create a situation where the act will not be able to properly survive, but it will be under continual harassment and attack and will weaken the entire sugar program.

We think short of the underpinning of a Fair Labor Standards Act minimum wage in the Sugar Act the entire act would be in jeopardy.

One of the gentlemen here asked a question about the Hawaiian sugar industry which, unfortunately, I did not get a chance to answer. And let me simply make mention of it briefly:

The Hawaiian sugar industry has been compelled, by the pressure of the labor organization—that is our union—to mechanize, modernize, and rationalize its operation, to such an extent that it can afford to pay a wage substantially above that paid in other areas. Before the I.L.W. became the recognized bargaining agent for the Hawaiian workers, the lowest category was receiving 19 cents an hour in the field. We found those wages to be in the area of 1944, plus a house and other prerequisites which did bring it up. The situation in the plantations was purely colonial. Now the base rate for labor grade No. 1 is $1.46 an hour. The weighted average of the hourly earnings of the Hawaiian sugar workers, according to the Department of Agriculture, has risen from 73 cents in 1946 to $1.74 in 1960. If we include the value of the fringe benefits, pension, medical, paid vacations, paid holidays, sick leave, and severance pay benefits which the vast majority of the sugar workers elsewhere do not have, the total in Hawaii is now $2.30 an hour. These benefits are all provided by union contract.

I am not saying that it is the job of your committee or of the Government to guarantee this sort of wage. That is not your job. I know that. We do believe that it is your absolute duty and in keeping with the provisions of the Sugar Act wherein fair and reasonable wages are to be fixed by the Department of Agriculture to write into the act that those fair and reasonable wages shall not be less than those set up by the Fair Labor Standards Act of $1.15 an hour. Mr. Fischer has already pointed out that the moneys are available now to bring every worker in the sugar industry up to $1.15 an hour without a penny of cost to the consumer. There is a profit made by the U.S. Treasury. We realize that it will be somewhat smaller because of the increased acreage allotments under the domestic program. There is that profit made by the U.S. Treasury, somewhere in the neighborhood of $27 million, perhaps a little bit less.

There is revenue to the U.S. Treasury from the tariff duty on sugar which last year, I believe, ran to $37,500,000.

In the event the recommendations of the State Department and the administration are approved, which we gather somewhat unlikely, there would be the global premium quota and the recapture that would be a source of still additional revenue. However, whether such revenue is forthcoming or not, the fact that they are here—that the amount of profit is going into the U.S. Treasury now, and the duty itself, together are far more than enough to give such farmers as require the additional compliance payments so as to tide them over the period until they can meet the Fair Labor Standards Act minimum on their own.

Our proposal, therefore, is that the Fair Labor Standards Act minimum be written into the act. That instead of the Department conducting hearings as to how much less than the Fair Labor Standards Act minimum some particular area has been able to get by with, and then put their stamp of approval on that amount, let the Department of Agriculture conduct its hearings as to which particular area might require an additional compliance payment for a short period of time until that area is on its own and on its own can meet the Fair Labor Standards Act minimum and be empowered to make such additional compliance payments to those growers.

The argument might be made that this is an opening wedge to fixing minimum wages in agriculture. I believe that is the same question that the chairman was directing himself to, and to what degree can we do this? We do not think that holds entirely, sir, because this is the only piece of legislation with which we are familiar in the entire agricultural field, wherein specific provision is made in the act itself instructing the Department of the U.S. Government, the Department of Agriculture, to make a determination of fair and reasonable wages. This is the only one in which a wage provision exists. This is the only one in which there is a such a completely and totally managed economy which allocates to the various aspects of the industry their share of the revenue of the sugar dollar. And under these circumstances we think that action of this sort by the Congress is feasible.

Finally, our recommendation, first, the one that I mentioned, we believe that the Fair Labor Standards Act minimum ought to be written into the Sugar Act as such.

We would like to refer, also, to the bill introduced by Representative Inouye, which we wholeheartedly support, which in addition to spelling out the Fair Labor Standards Act minimum in the Sugar Act, also, provides that for those farmers, those growers who pay the minimum wage, they shall receive the maximum compliance payments. This in some ways is almost a substitute inasmuch as, obviously, if all farmers, all growers, pay the Fair Labor Standards Act minimum, then a sliding scale of compliance payments would make sense, and we would support that.

We, also, believe that the Department ought to be empowered to make additional payments to growers to enable them to raise wages of the field workers to the Fair Labor Standards Act minimum within a fixed period of time after determinations of this sort are made during public hearings. We know in many areas such action by the Department will not be required.

We know in the case of the beet area, from which you come, Mr. Short, that would not be a problem. There the wages are already above the Fair Labor Standards Act minimum as provided now in the law.

We know that in the case of Louisiana some change will be required and some assistance might be required, and to a smaller extent, perhaps in Florida, to a greater extent, perhaps in Puerto Rico; without any question there.

That, in general, is our presentation and our recommendation, but if I may add just a few comments, Mr. Chairman. One is this, that concerns the time element of these hearings.

We know, as has been testified to here by Mr. Kemp, that the industry has been meeting both among themselves, meeting with the Department of Agriculture, and meeting with a number of eminent Congressmen who are well versed in this tariff field for almost a year now, in an attempt to concile divergent views, differences of opinion and clashing interests in the hope that they would reach unanimity and come before your committee and come before the Congress with a single act upon which all could agree. These have been going on for a year, but I submit that never once during this entire year has labor been called into consultation—never once. The industry people met among themselves. They met with the refiners. They met with the growers and with the Department of Agriculture. They met with many of the experts here in Congress. But never once was labor even called in for consultation. We cannot help but feel that to some degree—and again we think this might be one of the weaknesses in the act itself and in the program—it is a good deal like everyone sitting around and cutting up the pie, except the man who helped knead the dough and bake the pie, who is left in the kitchen. He is not considered as to whether he will even get a slice. And labor has not been consulted. And we think time must be taken out to consult labor.

Lastly, we are of the opinion and want to recommend to the committee that unless it can find its way clear to have a review of this problem concerning labor as to wages, as to the standards of living, as to productivity, as to what would be the impact of the application of the Fair Labor Standards Act minimum on the industry, that if you cannot find time to do a thorough study of all of these aspects which we believe have a direct bearing on the legislation itself, then we urgently

recommend upon you that there be no extension of more than a year's time so as to allow a period during which there can be a thorough congressional exploration of all of these various aspects of the labor problem which we think have a direct bearing upon the continuation of the Sugar Act itself.

I want to thank the committee for the courtesy of listening to me. I am sorry if a few of the interruptions and exchanges might have thrown me a bit off beam.

Mr. POAGE. Thank you, Mr. Goldblatt. Are there any questions?

Mr. Jones of Missouri.

(The prepared statement of Lou Goldblatt, secretary treasurer, International Longshoremen's & Warehousemen's Union follows:)

INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION, TESTIMONY ON "FAIR AND REASONABLE WAGES," PRESENTED BY LOUIS GOLDBLATT, SECRETARY-TREASURER

"FAIR AND REASONABLE WAGES" FOR SUGAR WORKERS

U.S. policy regarding the sugar industry is undergoing serious reappraisal, principally because Cuban sugar is no longer available for consumption in this country. This is the first such basic reappraisal since the adoption of the quota system in essentially its present form in 1934. While the principal debate concerns readjustments in quotas, this is an opportune time to review the effectiveness of the present sugar control machinery as it affects the basic sugar producers, the fieldworkers on the beet farms and cane plantations.

As was recently pointed out (in a "Special Study on Sugar," a report of the Special Study Group of the U.S. Department of Agriculture for use of the House Committee on Agriculture), "We have developed a thoroughly managed sugar economy." The question we wish to raise is: What has become of the fieldworker? How has he fared in this managed economy? Why is he the forgotten man?

The sugar worker has actually received no benefit whatever from the Sugar Act. Other segments of the industry—the industrial users, the processors, and the growers—have all benefited from the stable and assured prices guaranteed by the act.

The workers in fact, who produce the sugarcane and the sugarbeets, are actually worse off than they would be without the procedure in the Sugar Act which is supposed to assure them "fair and reasonable wages." As our statement demonstrates, the "fair and reasonable" wage for sugar workers is set by the Department of Agriculture at whatever is the rate prevailing in the area. Thus the Government's stamp of approval is put on such substandard wages as 95 cents in the beet areas, 60 cents in Louisiana, and even less in Puerto Rico. Every attempt by the workers to raise their wages is met by the argument that the wages they are getting are considered "fair and reasonable" by the Government.

These so-called fair and reasonable wages are below the minimum of $1 per hour set by the Department of Labor for Mexican nationals who work in the lettuce fields of California and Arizona. Thus a domestic worker doing certain types of manual labor in the beetfields is guaranteed a minimum below that guaranteed to a Mexican national working in the lettuce fields.

What is more, Congress has provided a national minimum of $1.15 per hour under the Fair Labor Standards Act, a minimum scheduled to go up to $1.25 in September 1963. It is our position, which we urge upon this committee, that the Sugar Act be amended to provide the same minimum wage for sugar workers in all areas as that provided in the Fair Labor Standards Act. The "fair and reasonable" wages as established under the Sugar Act are unfair and inequitable.

When the Sugar Act was adopted in 1937, President Roosevelt said that in view of the protection afforded by the quota system the industry "should be expected to * * * be a good employer." We submit that no one who looks at the facts can conclude that the industry has lived up to Roosevelt's injunction, or that the Department of Agriculture has satisfactorily discharged its obligation to compel the industry to do so.

SUGAR—A PROTECTED INDUSTRY

The U.S. sugar industry has been heavily protected for many years, first by tariffs and, since 1934, by means of a quota system that guarantees domestic producers a market at a price substantially higher than the world market price. Senators Paul H. Douglas and J. W. Fulbright have recently estimated the extent of the subsidy at $10 to $20 billion since 1934 (R. Rept. 125, 87th Cong., 1st sess., p. 10).

When the Roosevelt administration adopted the Jones-Costigan Act in 1934, the price of raw sugar was 1 cent a pound. The industry was in a bad way. The act was designed to raise and stabilize prices without harming consumers, to effect a shift of income from processors (who weren't doing so badly) to growers (who were doing miserably) and, in so doing, to insure that the farmworkers shared in the benefits.

Since 1934 the Sugar Act has often been amended, but its basic purposes and procedures remain unchanged. After 27 years' experience it is clear that the act has been successful in meeting all of its major objectives, with one glaring exception: the farmworkers, the base of the whole pyramid, have derived no benefit. Sugar fieldworkers in Hawaii are an exception, they are far better off than they were, but the improvement in their income and living standards cannot be credited to the sugar legislation; it is the result of union organization.

However, since 1934 the economic picture has radically changed. The need then was to raise sugar prices and to redistribute the industry's income as between processors and growers and, indirectly, the fieldworkers. Now, during the properous postwar years, the operation of the act has resulted in an unanticipated profit bonanza for the big industrial users who swallow two-thirds of the industry's product. The principal beneficiaries of the act have been Coca-Cola, Hershey, Wrigley, and other industrial users, including the fruit canners. The resulting phenomenal profits for some of these companies are shown later.

Now is the time for a thorough reconsideration of the whole purpose of the Sugar Act. The country cannot sit idly by and see millions of dollars pouring into the coffers of the industrial users and the U.S. Treasury at the same time that the fieldworkers are getting no benefits whatever. This was not the purpose of the act originally; it should not be suffered to be the result of the act today.

"SUGAR INDUSTRY SHOULD BE A GOOD EMPLOYER"—ROOSEVELT

President Franklin D. Roosevelt, in his message to Congress recommending passage of sugar legislation in 1937, said:

"It is highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle that an industry which desires the protection afforded by the quota system, or a tariff, should be expected to *guarantee that it will be a good employer.* I recommend therefore that the prevention of child labor, and the payment of *wages of not less than minimum* standards, be included among the conditions for receiving a Federal payment." [Our emphasis.]

Our complaint is not that the industry is protected. We recognize that the longrun stability of the industry depends on the maintenance of a domestic price which is higher than the world price. Our complaint is that an industry which enjoys such protection has not been compelled to pay a decent minimum wage to the workers who produce the sugar.

"FAIR AND REASONABLE" WAGES

The 1937 Sugar Act and all subsequent versions have carried the provision that the Secretary of Agriculture, after appropriate hearings, shall establish "fair and reasonable" wages for sugar workers. But the act failed to specify clearly the standards to be applied in setting the rates. It simply said that the Secretary "shall take into consideration the standards therefor formerly established by him under the Agriculture Adjustment Act, as amended, and the differences in conditions among various producing areas" (sec. 301(c)(1)).

In practice, the "fair and reasonable" wages as set by the Secretary have been no higher and no lower than those prevailing in the particular area in question. In Hawaii, where wage rates have been established by collective bargaining since 1945, the Secretary has determined that the union rates are

"fair and reasonable." Elsewhere, according to spokesmen for the Department, the standards have taken into account trends in living costs, "differences in the economic position of producers and workers in the several producing areas" and "ability to pay," i.e., "the economic position of producers in relation to available market returns" ("Wage Determinations Under the Sugar Acts," by Ward S. Stevenson and Linewood K. Bailey, Sugar Division, Department of Agriculture, published in Sugar Reports, December 1954).

Consideration of trends in living costs has been limited to trends in the price of food and clothing, "inasmuch as those two items represent the major expenditures by sugarbeet and sugarcane fieldworkers" (op. cit.). Nothing could be more revealing. The living standards of the fieldworkers are so low, price trends for other customary items of goods and services are disregarded.

In all public hearings, which are provided for in the law as a protection to all parties, the Secretary almost always has only such information as the growers provide. The resultant wage determinations follow what is the prevailing wage in the area in question.

How else can one explain a "fair and reasonable" minimum wage of $1.46 in Hawaii (the union rate for labor grade I, effective Feb. 1, 1962) and a wage of 60 cents in Louisiana for the same crop year? These are the latest determinations for these areas. It is obvious that the alleged "standards" used by the Secretary of Agriculture are extraordinarily flexible. "Fair and reasonable" does not mean what is fair and reasonable to the workers. No genuine concept of a fair minimum wage should justify any such differentials as this. Congress itself, in setting the FLSA minimum, has recognized that a minimum wage should be national and not regional.

The consequence of the procedure followed by the Secretary of Agriculture, is that the Government has been lending its support to the maintenance of substandard wages. The main beneficiaries, however, have not been the growers, because they too are squeezed, but the big industrial users who are the real group in the driver's seat.

SUGAR WAGES INCREASINGLY LAGGING

A look at the attached chart confirms the conclusion that the Sugar Act provision for "fair and reasonable" wages has done nothing to bring earnings of sugar fieldworkers up to a truly fair and reasonable level. The chart shows the movement of sugar workers' earnings for the period 1946 to 1960 compared to the earnings of industrial workers. Two conclusions are immediately obvious.

1. Earnings of field sugar workers are far below the earnings of industrial workers and have been falling further and further behind. Earnings in beet areas, which averaged about two-thirds of earnings in manufacturing in 1946, are now only a little more than one-half the earnings of manufacturing workers.

2. In Hawaii, average earnings—though still substantially below the level of industrial earnings—have pretty much kept pace with the trend of industrial wages over the period 1946 to 1960.

A DEAD LETTER

The only possible conclusion is that section 301(c)(1) of the Sugar Act is a dead letter so far as providing a real minimum wage is concerned. It affords sugar workers no protection whatsoever. To this extent, the purpose of the original enactments has not been fulfilled. Processors are paying their excise tax, growers are getting payments, but the wages and conditions of the workers would be no worse if the Sugar Act was repealed. Though the industry is protected, the workers are not. The industry is far from being a "good employer," to refer again to President Roosevelt's message.

"FAIR AND REASONABLE" WAGES ARE BELOW OTHER GOVERNMENT-SET MINIMUM STANDARDS

The Fair Labor Standards Act, as recently amended, provides for a minimum wage of $1.15 for covered workers throughout the United States, with special exceptions only for Puerto Rico. The minimum is scheduled to go up to $1.25 on September 3, 1963, only 18 months from now. The minimum established in the FLSA is the only dollars and cents standard for wages which Congress itself has established. How can the Secretary of Agriculture justify lesser minimums—and minimums varying even within the continental United States—in the face of such congressional enactment?

But it is not only the FLSA minimum which is higher than the Department of Agriculture's "fair and reasonable" wages. The Secretary of Labor, acting under the authority of Public Law 78, has set minimum rates for Mexican nationals who come into this country to work in the lettuce fields of California and Arizona. The rate is 24 cents per carton or $1 per hour at the discretion of the worker. The piece rate, according to a recent survey (January 1962) by the Labor Department, produced average earnings of $1.36. These rates are currently in effect and of course they have to be offered to domestic workers as well as to Mexican nationals.

A domestic worker, therefore, may work 1 month in the Imperial Valley at a rate which pays him $1.36 an hour, with a definite guarantee of $1, but the next month, if he moves up into a beet area, the only guarantee he's entitled to is 95 cents an hour, under the Department of Agriculture determination for 1962.

Or take the case of a sugar worker in Louisiana whose fair and reasonable wage may be as low as 60 cents. He could cross the border into Mexico, pick up a little Spanish and come back into the United States, posing as a bracero, to work in the Imperial Valley lettuce fields. Here he is guaranteed no less than $1 an hour. It is hard to understand how Congress can justify such discrepancies among the wage determinations by different Government agencies. If an elected official of any union tried to justify anything comparable he would be laughed out of office.

Sugar workers as migrants

Many sugar workers are migrants. As such, they suffer the many disabilities of migrants, disabilities which are well-known, but long tolerated. Attached to this document are several statements dealing with the problems of migrant farmworkers.

SUGAR WORKERS ARE NOT GUARANTEED COLLECTIVE BARGAINING RIGHTS

Sugar workers are excluded from coverage under Federal law which guarantees industrial workers the right to bargain collectively through representatives of their own choosing. The law does not forbid collective bargaining, but the growers are under no legislative compulsion to agree to bargain. Thus an industry which enjoys the protection of the Federal Government is under no obligation to bargain collectively.

This situation derives both from the great political influence of farmers and from the organizational weakness of the workers. The situation is thus to some degree circular: the workers cannot readily organize because they are not organized. Obviously, one step toward a solution lies in the adoption of amendments to Federal labor laws to cover the sugar workers.

WHO ARE THE BENEFICIARIES?

If the workers have not benefited from the generous subsidy enjoyed by the domestic sugar industry, who has? The answer is: All other segments have benefited, the big industrial users most of all.

The industrial users have grown rapidly in importance since the passage of the first quota legislation in 1934. At that time they consumed about one-third of all the sugar used in this country; now they consume about two-thirds. The ordinary domestic consumer has increasingly purchased his sugar in the form of bakery goods, confectionery, canned fruits, carbonated beverages, chewing gum, and other processed items. For the industrial user, the Sugar Act has guaranteed a profit bonanza. The following figures (from Moody's Industrials) are profits after taxes as a percent of net worth for the companies listed for the period 1948 through 1960:

Company	Range 1948–60	
	Low year	High year
	Percent	*Percent*
Cocoa-Cola	14.3	24.3
Pepsi-Cola	7.1	24.2
Wm. Wrigley, Jr	13.0	21.0
National Biscuit	10.7	15.3
Hershey Chocolate	10.3	30.0

That section of the Sugar Act (sec. 201) which establishes the criteria to be used by the Secretary of Agriculture in determining the overall quota of sugar for consumption purposes, provides that the "determination shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry. * * *"

The above profit figures demonstrate that the Secretary has certainly protected the welfare of these large sugar users, who, together with similar industrial concerns, consume two-thirds of the entire sugar supply. Obviously the price of sugar has not been excessive.

Profits of sugar producers and processors have been adequate and assured. They have benefited from an assured market and a stable price. Now under the circumstances of expanding domestic quotas, their outlook for the future is even better.

GROWERS HAVE RECEIVED MANY MILLIONS IN SUGAR PAYMENTS

The Sugar Act entitles the beet and cane growers to certain payments in return for their observing the quota requirements and the child labor and wage payment provisions of section 301. The payment varies from 80 cents per hundred pounds of raw sugar on farms producing a small tonnage to 30 cents per hundred on farms producing a large tonnage.

The big Hawaii plantations receive payments at the minimum rate, while the small beet farms and small cane growers in Louisiana receive the maximum. This results in a highly anomalous situation; the area which pays the highest rate of wages receives the lowest rate of sugar payments, while the areas which pay the lowest wages receive the highest sugar payments. Many growers who pay less than $1.15 per hour nevertheless are receiving payments from the Federal Treasury. We think that if the industry is to be subsidized, the subsidy should vary directly with the level of wages paid—the higher the wage, the higher the sugar payments.

Over the years during which such payments have been made (1934–60) they have aggregated $1,341 million. (Source: For 1951–59, "Agricultural Statistics" 1960, pp. 546 and 547; for 1934–50, "House Hearings on Extension of Sugar Act," Committee on Agriculture, serial J, p. 81. The figures for the years 1934–50 include Sugar Division administrative expenses.) This enormous sum has been paid to the industry out of the Federal Treasury at the same time that the industry has been paying the miserable wages described above.

HAWAII THE EXCEPTION

As is clear from the chart, average earnings of Hawaii sugar workers have risen much more sharply than those of mainland sugar workers. The reason is simple: the Hawaii sugar industry has been compelled by the pressure of a labor organization, the ILWU, to mechanize, modernize, and rationalize its operaitons to such an extent that it can afford to pay a wage substantially above that paid in the other areas.

Before the ILWU became the recognized bargaining agent for the Hawaii sugar workers, the lowest category field worker was receiving 19 cents an hour, plus housing and certain other perquisites. The situation on the sugar plantations was truly colonial. Now the base rate for labor grade I is $1.46. The weighted average of hourly earnings of Hawaii sugar workers, according to the Department of Agriculture, has risen from 73 cents in 1946 to $1.74 in 1960.

If we include the value of fringe benefits—medical care, pensions, paid vacations, paid holidays, sick leave and severance pay—benefits which the vast majority of sugar workers elsewhere do not have, the total in Hawaii is now $2.30. These benefits are all provided by union contract.

The Hawaii workers also enjoy legislative protections unheard of elsewhere. A little Wagner Act assures them collective bargaining rights. Passed shortly after World War II, this legislation was an important aid in securing bargaining rights for these workers. Elections were held on each plantation as an orderly means of obtaining recognition and bargaining rights.

Hawaii's unemployment insurance law has been amended to include agricultural workers. No other State law covers them. They are covered, also, under the Hawaii workmen's compensation law.

The Hawaii wage and hour law applies to agricultural workers, though the provisions under the ILWU sugar contracts are sufficiently better so that the overtime and minimum wage requirements are not, in fact, effective so far as ILWU workers go.

SOURCE OF HIGHER WAGES

It is easily demonstrated that means can readily be found to guarantee sugar workers the $1.15 per hour minimum to which, in all justice, they are entitled.

To raise wages to this level, we estimate, would cost only about $30 million per year. This estimate is based on Department of Agriculture figures on man-hours worked and assumes that all field workers are entitled to the present FLSA minimum of $1.15 per hour.[1]

The first source for raising sugar wages to at least $1.15 per hour—a source which is immediately available and which in itself is almost sufficient for the purpose—is the profit which the U.S. Treasury derives from the operations of the Sugar Act. Receipts from the excise tax levied on the processors exceed sugar payments to the growers by some $25 million a year. This excess should be made available to bring sugar workers' wages up to the FLSA minimum.

A second possible source is the quota premium (the difference between the domestic price and the world price). We estimate that in 1960 foreign producers alone received a benefit from the quota premium amounting to $180 million. This figure may be somewhat different in the future because the world price may be affected if there is no longer a guaranteed market for a part of the product in this country. But in any event, it is clear that only a small portion of this amount is needed to bring sugar workers up to the present FLSA minimum.

The suggestion here is that the sugar from other countries be bought at the world price and sold to processors here at the domestic price. The difference would go into the U.S. Treasury. Such an arrangement has been proposed by the State Department. What we are adding, is the proposal that some of this money be set aside as a fund to raise the wages of sugar workers up to the statutory minimum. The amount available from this source—$180 million or thereabouts—is much more than enough to accomplish this purpose. Only a fraction of it is needed.

It is quite obvious that funds are available or could readily be found, within the operations of the Sugar Act, to assure all sugar field workers a truly fair and reasonable wage. We believe that with some imagination in redrafting the wage provisions of the Sugar Act, the necessary increase could be paid without hurting the growers in the least.

Franklin Roosevelt enunciated the basic policy: that an industry which receives Federal protection should pay an American wage. The time is long since overdue to apply this principle to the sugar industry. The argument might be made that an increase in the minimum wage standards for sugar workers could result in an increase in the price of sugar. This obviously would not be the case if the recommendations proposed by our union were followed, namely, to provide assistance to those farmers having difficulty meeting the FLSA minimum by allowing them additional compliance payments coming from the profit made by the U.S. Treasury or from the quota premium. If some price increase did occur, it could easily be absorbed by the industrial users as shown by the profit figures above; consequently, it would not mean an increase to the vast bulk of the consumers.

We feel strongly that the primary purpose of the wage determination section of the Sugar Act must be to bring the wages of the sugar workers into line with the Fair Labor Standards Act and that the impact on other aspects of the industry such as compliance payments or price are secondary. We see no way to justify continuation of an act whereby growers, processors, industrial users, or for that matter the U.S. Treasury are well provided for while the worker in the field remains the forgotten man.

WHAT WE PROPOSE

The Sugar Act should be amended to provide:

1. That "fair and reasonable wages" be defined as the minimum wage (currently $1.15) provided by the Fair Labor Standards Act.

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[1] In the case of Puerto Rico there is no single FLSA minimum. Instead, there are a number of determinations for different industries, ranging down from $1.15 in a few to 50 cents in others. In making the above estimates we used an arbitrary figure of 75 cents as approximately the average FLSA minimum for Puerto Rico.

2. That the Department be empowered to make additional payments to growers to enable them to raise the wages of field workers to the FLSA minimum within a fixed period of time, such determinations to be made after public hearings. In the areas where wages are lowest, the time period might need to be longer than in areas where wages already come close to the minimum, but in no instance should the time period exceed 3 years. Such additional payments would be conditional upon a grower's meeting the rising schedule of wage minimums.

3. That any excess of the proceeds of the excise tax over payments to farmers be utilized to assist growers in bringing wages up to FLSA minimum.

4. That purchases of raw sugar from foreign countries be at the world price and that a part of the difference between the purchase price and the domestic price at which the sugar is sold to U.S. processors be available for the purpose of making the additional payments to the growers to enable them to pay the FLSA minimum.

5. That any grower who pays the FLSA minimum to his field workers be entitled to the maximum compliance payment of 80 cents per hundred pounds of raw sugar, irrespective of the volume of his sugar production.

6. That sugar compliance payments be made conditional upon a willingness on the part of the grower to recognize a bona fide union as the collective bargaining agent of the field workers whenever it represents a majority of the work force.

7. That the Secretary of Agriculture be required to make an annual report to the appropriate committee of Congress showing how the field workers have fared with respect to wages and conditions.

Appendix I. Sugar Workers as Migrants

SUGAR WORKERS AS MIGRANTS—"THE MOST ISOLATED AND FORGOTTEN PEOPLE IN AMERICA"

The bulk of the workers who do the hand labor in beet and cane are migrants so that the well-known facts about migrant agricultural workers may be cited as applying to these sugar workers.

A Senate report in 1960 concludes:

"We found, in short, that the migrant workers are truly the most isolated and forgotten people in America. Despite their obvious and valuable contribution to our society, they share few of its fruits and seldom find themselves with the same rights and opportunities as other citizens" (report on "Study of Migratory Labor" by Mrs. Hayden to accompany S. Res. 267 86th Cong., 2d sess., Calendar No. 1118, Rept. No. 1088, pp. 3–4).

Another Senate report, also dated 1960, was quoted by Secretary of Labor Arthur A. Goldberg in testimony before the Subcommittee on Labor of the House Committee on Education and Labor (May 9, 1961). According to this Senate report:

"The (agricultural) migrant and his family are lonely wanderers on the face of our land. They are living testimonials to the poverty and neglect that is possible even in our healthy and dynamic democracy that prides itself on its protection and concern for the individual. Behind the screen of statistics, showing migrant laborers toiling for as little as 50 cents an hour, and working only 131 days a year, we see families crowded into shelters that are more like coops for animals, with children undernourished and in poor health, 2 or 3 years behind in school, with little chance to fully develop their talents and become useful to themselves and their country. This is the ugliest kind of human waste. The plight of the migrant families is a charge on the conscience of all of us" (Senate Select Subcommittee on Labor of the House Committee on Education and Labor, report, 1960).

MIGRANT SUGAR WORKERS HAVE LITTLE LEGISLATIVE PROTECTION

Secretary Goldberg testifying last May with regard to migratory workers, summed up the almost complete lack of legislative protection which characterizes the migrant agricultural worker:

"Because they are migrants, the residence requirements of many State laws exclude them from public assistance, health, educational and other services.

"Agricultural workers have been expressly excluded in most instances from nearly all of the Federal and State social welfare and labor laws which protect other workers.

"Although workmen's compensation legislation was the first type of social insurance to be developed extensively in the country, little progress has been made in extending such benefits to agricultural workers.

"The minimum wage laws of only Hawaii and Puerto Rico specifically apply to agricultural workers and the wages and hours provisions of the Federal Fair Labor Standards Act do not cover agriculture.

"Of the State unemployment insurance laws, only that of Hawaii provides coverage for farm workers.

"Only the old age survivors and disability insurance law and the child labor provisions of the Fair Labor Standards Act cover farm work—the insurance law only if the worker earns enough to qualify, and the child labor provisions only if the child is employed during school hours" (testimony of Secretary of Labor Arthur H. Goldberg in hearings on "Migratory Labor," House Committee on Education and Labor, 87th Cong., 1st sess., May 9, 1961, p. 4).

Mr. JONES of Missouri. Did labor make any request of the Department to sit in on any of these hearings or discussions?

Mr. GOLDBLATT. The Department is fully aware of our position. In previous hearings concerning sugar legislation we have either appeared or introduced material and introduced briefs setting forth some of our thinking.

Mr. JONES of Missouri. I am asking if you requested the Department to include you in any of these discussions?

Mr. GOLDBLATT. I believe that at one of the hearings in Hawaii several years ago——

Mr. JONES of Missouri. I am talking about these hearings that you talked about going on here this past year.

Mr. GOLDBLATT. I do not know of any specific request made by us, so far as that is concerned, sir. It would be sort of trying to force our way in, it seems to me. They know what our position is. They know what our thinking is. We have appeared time and time again at these various hearings.

Mr. JONES of Missouri. You mentioned the fact that the compensation to the workers in Hawaii amounted to about $2.30 an hour with the fringe benefits. How does that compare with the prevailing wage for common labor in Hawaii?

Mr. GOLDBLATT. Are you referring to common labor such as construction work?

Mr. JONES of Missouri. Is the sugar worker a common laborer?

Mr. GOLDBLATT. The base rate is $1.46 an hour—the base rate.

Mr. JONES of Missouri. The weighted average is $1.70 and with the fringe benefits you said it was $2.30. What is the prevailing wage rate for common labor?

Mr. GOLDBLATT. Between $1.25 and $1.50 an hour. When you speak of a base rate in sugar, in many cases these are not necessarily what unskilled labor does, because the Hawaiian plantations are highly mechanized.

Mr. JONES of Missouri. They are not people with schooling and educational qualifications, anything like that—it is strictly a manual labor operation, is it not?

Mr. GOLDBLATT. Your base rate is your manual labor, that is correct—the base rate would include weeding, a certain amount of hand hoeing, et cetera.

Mr. JONES of Missouri. In other words, that would be for unskilled labor. That would be high?

Mr. GOLDBLATT. Of course, now, you could not get unskilled labor in San Francisco for $1.46 an hour.

Mr. JONES of Missouri. That would be the highest unskilled labor?

Mr. GOLDBLATT. That would be impossible, sir.

Mr. JONES of Missouri. I am not familiar with San Francisco. I was thinking about my section.

Mr. GOLDBLATT. $1.46 an hour is not high, but low wages.

Mr. JONES of Missouri. $2.30 looks to me like a pretty high wage, when in the Post Office Department their starting wage is $2.14 an hour and it requires some degree of education.

Mr. GOLEBLATT. It is true, sir—incidentally, the wage is $1.73 or $1.74.

Mr. JONES of Missouri. But you do not include the fringe benefits—that brings them up to $2.30.

Mr. GOLDBLATT. I did in my presentation.

Mr. JONES of Missouri. You keep saying $1.76—that is $2.30.

Mr. GOLDBLATT. Well, $1.46 is still what the man has to spend on his groceries, and I do not know of anybody who is going to find himself eating into a T-bone steak on $1.46. He will have a minimal amount of clothes and a minimal amount of money for recreation at $1.46 an hour. If he is a married man with a youngster, he will, probably, have to struggle by. After all, $1.46 an hour in cash is quite low wages.

Mr. POAGE. Let the record show that the average income of a farm-owner in the United States is about 80 cents an hour for his work—that is, the owner of the farm who has to pay the bills, he has an average income of 80 cents an hour.

We thank you.

Mr. GOLDBLATT. Thank you.

Mr. POAGE. We will now call Mr. Zagri, who is legislative counsel, International Brotherhood of Teamsters.

STATEMENT OF SIDNEY ZAGRI, LEGISLATIVE COUNSEL, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN & HELPERS

Mr. ZAGRI. My name is Sidney Zagri, legislative counsel for the IBT.

I would like to have the permission of the chairman to insert into the record my prepared statement and also an exhibit to the statement which is a brochure published by our international, entitled "50 Cents Per Hour Fair and Reasonable."

Mr. POAGE. That will be filed for our record. It will not be introduced——

Mr. ZAGRI. I mean the contents. It is very brief.

Mr. POAGE. We will be glad to have it filed.

Mr. ZAGRI. Yes.

(The brochure referred to will be found in the files of the committee.)

Mr. POAGE. Proceed.

Mr. ZAGRI. Our union represents thousands of workers in the sugar-processing plants of the West. We have a direct interest, of course, in the stability of the sugar industry and an even more direct interest in the wages paid to the fieldworkers, because this basic wage

sets the framework or the frame of reference in which we must negotiate for the workers in the processing plants.

I could not agree more with the statement that has just been made by Mr. Goldblatt, representing the ILWU, and by Mr. Fischer, representing the Packinghouse Workers, in support of H.R. 11706, which would amend section 301(c)(1) of the Sugar Act of 1948.

Drastic changes in the world situation with reference to the production and distribution of sugar, calls for a reevalution of the basic premises upon which the Sugar Act is founded.

I would like at this point to emphasize the point that was made by Mr. Goldblatt that this reevaluation must include a factual determination and analysis of the standards applied by the Department of Agriculture in applying the fair and reasonable wage provision of the Sugar Act of 1937.

Cuba's former share of the American market is presently subject to redistribution, calling for a possible larger reallocation to domestic production. This means that the American sugar producer and processor will benefit even more than in the past in terms of a larger share of guaranteed market at subsidized prices. The sugarworker remains the only one not protected beyond the "dead letter" safeguards provided for in "fair and reasonable" wage requirements of section 301(c)(1) of the act.

The administration's position and that of industry is reflected in the proposed act. The administration's bill reflects 9 months of negotiations between the administration and industry. As a result, every segment of the sugar industry is provided for with built-in protection, guaranteed profits, guaranteed opportunities for growth; but nothing is provided for the sugarworker.

I could not help but observe or remember, rather, the statement made by the chairman this morning that the sugar industry is so profitable under the Sugar Act that everybody is trying to get into the act.

Of course, we applaud this. We want a sugar industry that is profitable. But we feel that it cannot continue to be profitable and exist in a managed economy unless all segments of the sugar industry are properly cared for, with some sense of equity and some sense of justice.

The "fair and reasonable" provisions of the Sugar Act create the popular misconception that the sugarworker is presently protected on a fair and reasonable basis which would be at least the equivalent of the minimum wage standards of the Fair Labor Standards Act. Nothing could be further from the truth. The sugarworker today is no better off than the migrant worker and is far worse off than the bracero who is granted a $1 minimum if he crosses the Mexican border into the United States. The sugarworker in the same area, in Texas and Louisiana, is guaranteed a minimum of 50 or 60 cents an hour.

In 1962 the Department of Agriculture promulgated minimum rates of $1.46 an hour in Hawaii, 90 cents an hour in Florida, 60 cents an hour in Louisiana, 50 cents an hour in the Virgin Islands, and 36 cents an hour in Puerto Rico.

I would like fo interject here that the minimum wage per hour in Hawaii is the minimum wage for one-half day of labor in Puerto Rico.

And these are the wage determinations of fair and reasonable by the same Department during the same crop period. The extension of the Sugar Act for 5 years would freeze this condition.

The case for subsidizing the sugarworker as an integral and important part of a controlled and subsidized sugar industry has already been established by my associates. My testimony is directed to two limited objectives:

(1) The establishment of FLSA minimums for sugarworkers does not constitute a departure from established precedent in extending a minimum wage for agricultural workers in the sugar industry.

H.R. 11706 is simply an extension of the principle established in the Sugar Act of 1937 provided that sugarworkers receive a fair and reasonable rate.

I would like to emphasize, Mr. Chairman, that the amendment incorporated in the proposed bill by Congressman Inouye is simply a clarifying amendment of the substantive provision in the act at the present time. It simply seeks to clarify the meaning of fair and reasonable wage.

The "fair and reasonable wage" was supported by Franklin D. Roosevelt in his message to Congress when recommending passage of this legislation in 1937 in which he stated that—

> an industry which desires the protection afforded by the quota system or a tariff should be expected to guarantee that it will be a good employer. I recommend, therefore, that the prevention of child labor and the payment of wages not less than minimum standards be included among conditions for receiving a Federal payment.

It is clear from this that President Roosevelt used the terms "fair and reasonable" and minimum standards synonymously.

It is therefore fair to assume that the intent of Congress at the time that the bill was passed was to have the Secretary of Agriculture promulgate wages that were not less than the wages paid industries under the FLSA. It is true that section 301(c)(1) provides for difference of conditions among various producing areas. This does not, however, mean that the minimum in any area should be less than a minimum wage promulgated by Congress for the country as a whole. It does not follow from this that wages in any area should be below that of FLSA.

It is clear from the foregoing that the proposal of H.R. 11706 does not establish a precedent, but is simply a clarifying amendment implementing the recommendation of President Franklin D. Roosevelt, imposing a special obligation on the employer in the sugar industry in establishing a minimum wage.

The application of the principle embodied in section 301(c)(1) requires such a clarifying amendment.

The absence of specific standards defining "fair and reasonable" wages resulted in the establishment of minimums of such diversity among the producing areas as to suggest no common denominator for arriving at such determinations.

NEED FOR A SPECIFIC STANDARD

How can one explain "fair and reasonable" minimum wages of $1.46 in Hawaii, 90 cents in Florida, 60 cents in Louisiana, 50 cents in the Virgin Islands, and 36 cents in Puerto Rico for the same crop year?

These are the latest determinations for these areas, by the Department of Agriculture. Even under the most flexible standards, it is difficult to find justification for the existence of such drastic differentials among the regions mentioned.

If cost of living is the criteria, and a spokesman for the Department of Agriculture hinted that this was the case, one cannot justify such differentials since the cost of living indexes of the Department of Labor indicate a 3- or 4-cent difference at the outside between cities of the South, North, and West for March of 1962.

If it is on the basis of ability to pay, this goes to the efficiency of the industry and not to the concept of what is fair and reasonable. In any event, where productivity is a factor, the answer is not to work out a minimum wage based on the prevailing scale, but rather a rate which would encourage technological change, which would increase efficiency and place competition upon the ability to produce as well as the ability to pay.

The reluctance of the Department of Agriculture to reveal specific standards in the making of determinations, or its failure to justify drastic wage differences between regions, is further indication of the need for the establishment of specific legislative criteria as is suggested by the proposed amendment.

The proposed amendment does not require producers who can prove undue hardship to raise the wages to the prescribed minimums immediately. Procedures are established for the purpose of hearing hardship cases.

A portion of the $180 million subsidy made available to foreign producers could be used to subsidize the difference between substandard wages and the Fair Labor Standards Act minimum where hardship is established.

It has come to my attention that less than $30 million would be involved in raising the wages from the present substandard level to the Fair Labor Standards Act minimum in the areas where the substandard levels exist today. So it would not be imposing hardship on anyone if part of a subsidy which is presently given to foreign producers could be diverted to those areas where hardship on a producer would take place where the transition was made without some type of help.

While I applaud the desire of this administration to help the bracero, to help the peon in Latin America and Mexico as a part of the good-neighbor policy, I feel that we have an equally great obligation to the worker of America who is working under substandard conditions and for substandard wages.

In fact, in my book, he has a priority in the scale of obligations by this Congress.

I recall the other day Chairman Cooley spoke of starvation prices for sugar coming to this country under the global quota program of the administration, and I agree with him on this. But I believe the continuance of the Sugar Act without a change in the basic machinery for wage determination would predicate this act on starvation wages. Where I have concern for the foreign producer that he should not receive starvation prices, I have equally great concern for the American worker that our economy in the sugar industry be not based on starvation wages.

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A continuance of the present policy of having the Department of Agriculture place the stamp of governmental approval on the prevailing wage in an area—no matter how low—does more harm than good.

It stands in the way of workers negotiating an improvement over the present substandard wage through collective bargaining. The employer can always shift the responsibility to the Government. If the fair and reasonable wage concept is to be a "dead letter," I say, gentlemen, it is better to have no provision at all, because it is an obstacle to collective bargaining in this industry.

In conclusion, I would like to recommend, one, that the dead letter, and I say this advisedly, that the dead letter proviso of fair and reasonable wages of the act calls for one or two of the following:

(*a*) Adoption of the proposed amendment establishing Fair Labor Standards Act minimums as outlined in H.R. 11706, introduced by Congressman Inouye; or

(*b*) Extension of the Sugar Act for only 1 year with provisions for a study by the Department of Agriculture or a congressional committee to establish a factual determination in the following areas:

(1) To determine basis for drastic differences in minimum rates ranging from $0.36 in Puerto Rico to $1.46 in Hawaii.

(2) Examination of Department of Agriculture's wage determinations to determine basis for minimum rates. As I understand it, today it is hit or miss and does not really have a particular formula or criteria.

(3) Investigation of the ability of the sugar industry to pay Fair Labor Standards Act minimum rates to the sugarworkers.

(4) The impact of technology on the industry.

The study should be completed with a report back to the 88th Congress not later than March 1, 1963.

I might add that this approach was adopted by the Congress with reference to the Hotel & Restaurant Workers, and also the Laundry Workers, as well as the Agricultural Processing Workers which were not included under the fair labor standards amendments at the last Congress and a report has now been made by the Department of Labor to the Congress with reference to the request for specific studies.

I believe that such a study would reveal the need for the type of recommendation we make here this afternoon.

Mr. POAGE. Thank you very much, Mr. Zagri.

Mr. Short—before we go into questions, may I get this matter straight: I do not want the witness to feel that I am raising any criticism of him at all, but you asked at the beginning if you might have permission to insert your statement in the record and then summarize it to the committee. Permission was granted to insert the statement in the record, but the summary included every word, because I watched it carefully—every word of the statement with a good many additional. There just is not any purpose of having both of those go into the record. Therefore, I am going to ask that only your stenographic statement be included in the record, which will include everything that you said and everything that you wrote. I am not wanting to cut out a thing in the world, but there is not any sense in the U.S. Government paying to insert these things twice. I do not know whether our other witnesses did the same thing or not. They

did in large part, I know, but I did not watch your statements as I did the last witness', because I saw what was happening. Instead of cutting down time, we were simply taking a great deal more time than we would if the witnesses read their statements.

I have no objection at all, understand, to letting everything you want to go into the record, but I do not want it to go in twice.

Mr. ZAGRI. I appreciate that. I did not know I was going to do this when I started. I do not think I said "summarize." I thought I said "interpolate."

Mr. POAGE. You were interpolating by adding to it frequently? But you did not drop one single word or sentence. I do not know whether the other gentlemen covered all of theirs or not. If they did not, I want them covered.

We will simply drop the ones that were omitted.

Mr. Short?

Mr. SHORT. Mr. Zagri, I did not find it in your statement here, but did you say the people working in the processing plants are members of your union.

Mr. ZAGRI. Are members of the Teamsters Union, yes.

Mr. SHORT. How far across the country?

Mr. ZAGRI. Mostly in the Western States—Colorado, California.

Mr. SHORT. Starting with Colorado and California?

Mr. ZAGRI. Yes; I think we have about 13 local unions which are exclusively in the sugar processing industry.

Mr. SHORT. I see. Thank you.

Mr. POAGE. Thank you very much.

We will now hear from Rabbi Eugene J. Lipman, of the National Advisory Committee on Farm Labor.

Rabbi Lipman.

STATEMENT OF RABBI EUGENE J. LIPMAN OF THE NATIONAL ADVISORY COMMITTEE ON FARM LABOR

Rabbi LIPMAN. Mr. Chairman, gentlemen, I shall not read my full statement and would request that it be inserted in the record.

Mr. POAGE. If you commence to read it, it will not be inserted in the record.

Rabbi LIPMAN. I would identify the National Advisory Committee on Farm Labor as a nonpartisan factfinding agency which is concerned with doing research and making information available on farm laborers.

Its cochairmen are Frank P. Graham and A. Philip Randolph. All the names of the committee memebrs are on the statement which you have.

I will mention only the summary, since much of the factual data in the statement has already been presented by previous witnesses, and our suggestion to this committee is identical with the suggestion made previously.

First, we want to make it clear that we do not object to the justifiable protections which exist in the law for producers. Our concern is that the workers receive protections which have been legally due them since 1934, but which in fact have never been extended to them. It is the view of our committee that no wage less than the minimum set by FLSA is either fair or reasonable today.

We feel that payments of a minimum of $1.15 an hour to sugar workers would be to the advantage of most small-scale growers, as well as to workers themselves. Higher wages and higher net incomes for these growers would constitute an injection of purchasing power into many regions that are currently considered depressed.

For all of these reasons, it is the feeling of our committee that this recommendation is a sound one and should be put into legislation.

Let me stop there, Mr. Chairman.

(The complete prepared statement of Rabbi Eugene J. Lipman is as follows:)

STATEMENT OF THE NATIONAL ADVISORY COMMITTEE OF FARM LABOR ON WAGE PROVISIONS OF THE SUGAR ACT

My name is Eugene J. Lipman. I am Rabbi of Temple Sinai in Washington, D.C. I am a member of the National Advisory Committee on Farm Labor and present this statement on behalf of the committee. While I do not consider myself an expert on all the problems of agriculture, I do attempt to keep myself informed of the issues having to do with the conditions of life and labor for hired workers in agriculture. The material in this statement has been prepared by the research department of the National Advisory Committee on Farm Labor. I want to thank this committee for permitting us this time to present our views.

The National Advisory Committee on Farm Labor is a nonpartisan, factfinding agency, concerned with making information available on the conditions of farm labor. Its members are listed on this stationery. We wish to draw the committee's attention to the need for strengthening the provisions of the Sugar Act intended to protect the interests of American farm workers in sugarbeet and sugarcane fields.

The National Advisory Committee on Farm Labor is concerned with this problem because the history of the Department of Agriculture's enforcement of the requirement that sugar workers be paid a fair and reasonable wage leaves much to be desired. This requirement was included in the original Jones-Costigan Act of 1934 on the ground that a public subsidy given to the sugar industry should contain protections for all affected groups, and not merely constitute a guarantee of grower and processor profits.

In our opinion, this requirement is not sufficiently precise to ensure the intended protection. "Fair and reasonable" has proved too vague a term. Experience indicates that the present criteria, cost-of-living and ability to pay, have not produced wage levels that can be honestly regarded as fair and reasonable. Surely it is neither fair nor reasonable to expect anyone to support himself and his family on 60 cents an hour—the wage currently certified as the minimum for sugarcane workers in Louisiana. We are therefore suggesting that another and more objective criterion be substituted: the wage set under the Fair Labor Standards Act as the minimum necessary to support a worker and his dependents in decency.

Since 1934, the sugar industry has been one of the most heavily subsidized and protected sections of the American economy. We are not here to object to that protection. We realize that it has stabilized the sugar industry and given a needed measure of security to small sugar producers that was not present before the act. On the other hand, we are very much concerned that sugar workers have not enjoyed a similar measure of security, that the act's mandate to protect field workers in the industry has not been carried out. Far from receiving the benefits intended for them under this legislation, their wages remain at substandard levels, even when compared to depressed State average wages for farmworkers. Only in Hawaii, where strong unionization is responsible, have sugar field workers substantially improved their conditions.

Minimum hourly wage rates, set by the Department of Agriculture after public hearings in some of the sugar-raising areas, have followed a curious pattern. Currently, the minimum standard of fair and reasonable wages ranges from 60 cents an hour in Louisiana to $1.46 an hour (plus fringe benefits worth close to another 50 cents an hour) in Hawaii. What appears fair and reasonable pay for identical work in the State of Hawaii is almost 2½ times what is ruled fair and reasonable in Louisiana. While beet workers generally fare somewhat better, their wages—currently at least 95 cents an hour—are below the national average farm wage and State averages in major beetgrowing regions.

The wage determinations in Louisiana have had an effect not intended by Congress: they have handicapped several attempts to establish collective bargaining there. Once a rate was ruled "fair and reasonable" by the Department of Agriculture, cane workers' demands for higher pay were effectively stopped by growers' contentions that their wages had been officially certified as fair. Thus, the vague references in the Sugar Act to the alternative "higher rates agreed to by employees and their employers" have had no meaning except in Hawaii, and collective bargaining has been hampered—albeit unintentionally—by governmental action.

There is good reason to believe that many small sugarcane producers—in competition with very large-scale growers—would also benefit from increased minimum rates. The labor costs of these small producers are much less than those of their competitors, and increased wage rates would affect their production costs much less than they would affect the large-scale growers who rely heavily on hired labor. Therefore, higher wages could be expected to improve the marketing position of small farmers vis-a-vis large producers. Moreover, higher wages would increase the value of the labor supplied by the small grower and his family.

Of relevance here is some data which appeared in the U.S. Department of Agriculture's Farm Cost Situation of November 1957. This is the only official data, so far as we know, which breaks down and compares production costs for large and small-scale farms competing in a given area. The data pertains to cotton farms in the Mississippi Delta. On the small-scale farms, the cost of hired labor was about 10 percent of total operating expenses, while on the large cotton farms in the Delta, labor costs amounted to 36 percent of total operating expenses.

In other words, the small-scale farmer performs most of his own work, and wages therefore constitute only a small part of his production costs. Moreover, given the decline of small farms and the expansion of large farms, it seems clear that the net income of small producers is dropping while their operating expenses are either steady or rising. The opposite appears to be true for their large-scale competitors. Assuming that to be the case, it is obvious that higher wages would increase the operating costs of the large farmers much more than those of their struggling competitors who hire less labor. The latter as a result would be in a more favorable competitive position. Thus the overall result of wage increases for farmers who do most of their own work would be higher net incomes. It seems to us that this would apply to sugar growers as much as to cotton growers.

We are not impressed by statements that growers cannot pay wages higher than have generally been certified. For one thing, actual wages paid are in many cases higher than the minimum rate—although they are still far below what the Fair Labor Standards Act calls a fair wage. Hawaiian growers paying much higher wages, while admittedly large operators with considerable resources, must nonetheless pay much greater transportation costs than mainland producers. But the Hawaiian growers still make profits. Finally, ability to pay has quite properly never been the primary consideration in determining fair wages. Public policy in this country has repeatedly denied that any employer has an absolute right to dictate terms of employment—no matter how hard-pressed a particular employer might be. It is in keeping with this tradition that we call for minimum wages to sugar workers at least equal to the rate set under the Fair Labor Standards Act.

We would point out, in addition, that cost of living is supposed to be given just as much weight as ability to pay in setting the wages for sugar workers. The cost-of-living factor seems, however, to have served more as an excuse for perpetuating low wages in this country's depressed rural areas. We certainly find it hard to believe that 60 cents an hour is a realistic index to the cost of living in any part of America today.

A fair and reasonable wage should presumably mean a wage sufficient to feed, clothe, and house a worker and his dependents in minimal health and well-being. It should presumably pay a man enough to ensure that he need not call upon his young children to help support the family. In a seasonal industry where workers are denied unemployment benefits, we do not see how a wage less than the $1.15 an hour required by the Fair Labor Standards Act could possibly support a worker and his family in any part of the United States.

To conclude, we hope it is clear that we are not objecting to justifiable protections for sugar producers. Our concern is that sugar workers receive the protections legally due them for nearly 30 years but never in fact extended to

them. We do not consider any wage less than the national minimum as set by the Fair Labor Standards Act to be either fair or reasonable in this day and age. We do believe that payment of $1.15 an hour would be to the advantage of most small-scale sugar growers as well as of sugar workers. Higher wages for sugar workers and higher net incomes for small sugar growers would, moreover, constitute an injection of purchasing power into many regions that are presently depressed areas. Higher wages would therefore complement the purposes of the rural areas development program and the area redevelopment administration by improving the economy and standard of living not only in those blighted areas but throughout the country.

Mr. POAGE. Thank you very much.

Any questions?

Mr. Short?

Mr. SHORT. I am right up against the same question again, I believe, that I mentioned a while ago that we have had the experience with in the instance of the United Mine Workers. How high can we raise these wages without displacing these people from jobs of any kind through the adaptation of further mechanization? This is the problem.

Rabbi LIPMAN. Let me state, Congressman Short, that at this time I am speaking personally and not for the committee. I have the feeling that any kind of mechanized equipment that will do a job at less cost to the producer is going to be introduced regardless of wages. It is not usually a case of a small differentiation between the cost of a machine and wages. Automation has not been caused by high wages. Automation has been caused by technological advances and the great skills of our engineers and technicians. We are not going to stop automation by keeping our wages low. We are going to have to be skillful enough and imaginative enough to find ways and means for new jobs for workers who are going to be displaced by automation, no matter what we do in wages.

Meanwhile, and here I speak again for the committee, we have a duty to see that the worker gets a living wage. Sixty cents an hour in Louisiana is not a living wage. And not even 95 cents an hour, which is the national average for beet sugar workers, is a living wage, with our high living standards of today.

Mr. SHORT. In North Dakota, we have a wage higher than that.

Mr. POAGE. Let me get something straight, because I cannot understand these opinions you give. You say there will be automation in an industry regardless of the wages and that higher wages do not bring about automation. That simply is contrary to everything I have ever learned.

I remember I was much impressed at one time in Egypt to see a group of men working on the road and they were each carrying dirt. They each carried a little basket, and they went down to a borrow pit and scraped up by hand a bucketful of dirt and carried it to the excavation and dumped it.

We had seen some machinery in Egypt and said, "Why don't you use it?" The answer was, "It is much cheaper to employ these people than to bring in machines. They work for about 10 cents a day."

Obviously—I am not saying it is desirable to keep them in that condition, but quite obviously, if you raise their wages to $1 an hour, certainly it is going to create automation.

Why, certainly, the determination that the employer makes is whether it costs more to do this by hand or whether it costs more to do it with a machine that costs him $20,000. I agree with you that if a $20,000 machine will do it for him cheaper per unit, he will do it that way. But as long as wages are lower, he is not going to use the machine as long as he can do it cheaper without the machine.

Rabbi LIPMAN. There are many other factors involved here, Congressman Poage, like what it costs to develop the machine, whether this producer has to provide the research, or whether the machine is already on the market.

Mr. POAGE. He does not care. The whole question with him is what is the cost of the machine and the cost of operating it and if his cost of operating that machine, which includes his cost of buying it or renting it, if the cost of that is greater to get the work done than it is to get it done with a pick and shovel, he will do it with a pick and shovel.

Rabbi LIPMAN. Once the machine is available; you are correct.

Mr. POAGE. I think it is wrong to suggest that wages of workers do not have anything to do with the speed of automation. I think they do.

Now, I think it is a fair statement to say that ofttimes automation will reduce costs so much that workers will be displaced even though they are presently drawing a substandard wage. In fact, I have very seriously questioned that operation in Egypt even at 10 cents a day. I was not sure but what they could put a man out there on a dragline and do that work cheaper, because that labor is terribly inefficient; of necessity it is.

I simply did not want to let that pass.

Well, thank you very much.

Now, I believe that completes our witnesses today. Is there anyone else here that we should call?

Is there anyone else here who wants to testify today?

(No response.)

Mr. POAGE. If not, the committee will stand in recess until 10 o'clock Monday morning.

(The following letter was also submitted to the committee:)

CALIFORNIA LABOR FEDERATION, AFL–CIO,
San Francisco, Calif., May 22, 1962.

HAROLD D. COOLEY,
Chairman, House Agriculture Committee,
Washington, D.C.

DEAR SIR: In behalf of the 1.4 million members of the California Labor Federation, AFL–CIO, I would like to have this letter incorporated into the record of the House Agriculture Committee's May 1962 hearings on amendments to the Sugar Act.

In examining the history of the Jones-Costigan Act's enforcement by the U.S. Department of Agriculture, we are struck by its failure to give coherent and intelligible meaning to Congress' directive that sugar workers be paid a "fair and reasonable wage." It will be recalled that this requirement was made part of the original act in 1934 as a corollary to the public subsidies to be extended to sugar growers and refiners.

In its most recent determinations, the Department of Agriculture has found to be "fair and reasonable" wages of $1.46 plus fringe benefits of about 50 cents an hour for Hawaii, 75 cents to $1 for the beet areas, 60 cents for Louisiana and 50 cents for Puerto Rico.

With the exception of Hawaii and possibly Puerto Rico, the supposed safeguards provided by the act have resulted in sugar wage rates inferior even to those paid on the average to other farmworkers in the areas involved. In view

of the fact that farm wage rates generally average less than one-third to those enjoyed by American factory workers, it is impossible to comprehend the vastness of this miscarriage of justice for sugarworkers.

Since variations in living costs within the Nation are relatively minor, it equally defies the imagination as to how the Department could simultaneously find wages ranging from 50 cents up to $1.46 and more "fair and reasonable" for the several areas involved.

The Department has obviously attempted to do nothing more than to indiscriminately adopt the depressed wage levels prevailing in bracero-dominated areas while at the same time, in the case of Hawaii, approving those brought into being through collective bargaining. This was done without the slightest reference to actual needs based upon living costs. Nor was there any pretense at utilization of objective criteria in determining a "fair and reasonable wage" for sugarworkers.

This irresponsible approach has served the selfish needs of the large-scale growers and processors by helping to impose the most extreme depression of wage and income levels upon sugarworkers generally. The artificiality of these depressed conditions is most fully understood when it is borne in mind that this retrogression transpired during a decade when agriculture, including the sugar growers, was the only major industry in the Nation professing a drastic shortage of labor necessitating the widespread use of imported workers.

It is against this background of shortcomings in implementing the expressed intent of the law that the committee must approach the matter of amending the act. If it is truly the intent of this committee and the Congress to afford workers in this industry safeguards and protections somewhat commensurate to those it has extended to the rest of the sugar industry, then it cannot conscientiously ignore the farcical nature of past efforts at interpreting the "fair and reasonable wage" provision. To continue the program on its present basis would be the height of hypocrisy.

Instead, Congress should and must give meaning to the law by incorporating into it specific requirements as to the method to be used in determining "fair and reasonable wages."

In this connection, we would like to suggest that a fair and reasonable wage level for sugarworkers can best be established by applying the relative wage and fringe benefit improvements experienced by the closely related "food and kindred products industry" workers since 1950.

We use 1950 as the base period for such a yardstick since it represents the last full year prior to the legal importation of Mexican nationals. Since braceros have been a substantial portion of the labor force utilized by the sugar growers, it is apparent that any serious effort to determine a fair and reasonable wage rate must take the presence of these workers into account.

The value of wages and fringe benefits for food and kindred products workers rose by 91 percent between 1950 and December 1961. It is our conviction that a fair and reasonable wage for sugarworkers would necessarily have to reflect a relative increase of the same dimensions since 1950.

At that, this would represent a conservative approach to the problem. We say this because sugar growers, along with the large-scale growers and processors of other agricultural commodities, have during the past decade sought renewal of Public Law 78 on the grounds that their industries suffered from a most severe shortage of labor. On the other hand, there has been a substantial surplus of labor during most of the past decade in the food and kindred products category and in all other major industries. Under such circumstances, any reputable economist would have freely predicted that a larger relative improvement in wages and working conditions would have transpired in agriculture generally.

Let us examine what has actually transpired over these past 12 years in Monterey County, one of the leading sugarbeet-producing areas of California. According to California Department of Employment's Weekly Farm Labor Report, the evolution of conditions in the thinning and hoeing of sugarbeets in Monterey County was as follows:

Week ending—	Hourly rate	Total workers	Number of braceros
May 20, 1950	$0.75	300	None
May 9, 1959	.825	500	(1)
May 7, 1960	.85	600	300
May 6, 1961	.95	750	400
May 2, 1962	1.00	900	500

[1] Substantial—precise numbers not reported; notation simply indicated "in excess of 100."

In other words, as a result of bracero domination and laxity of enforcement of governmental safeguards for domestic workers, the rise of wage rates from 75 cents to only $1 an hour between 1950 and 1962 represented a 33⅓ percent increase. Had a 91-percent increase occurred during this period, as was experienced by the closely related food and kindred products workers, the May 1962 thinning and hoeing rate would have rested at $1.43 an hour.

Nor should it be overlooked that most of the increase which actually took place since 1950 was very belated in nature, having occurred largely within the last few years. The relatively sudden jump from 82.5 cents an hour in 1959 to $1 an hour was the direct result of the AFL–CIO's organizing efforts within the past few years, together with a rather cautious attempt by the Deparment of Labor to effectuate some of its own legal responsibilities in this area. Had it not been for these pressures upon the growers, one can only assume that the Department of Agriculture would have leaned favorably toward the judgment that 75 cents an hour was as fair and reasonable in 1962 as it was in 1950.

Monterey County's experience, and that of virtually all the other sugar-producing areas, make it only too apparent that the fair and reasonable wage standard written into the law by Congress has been totally ignored by the program's administrators.

In asking for inclusion of a clearly defined standard insuring sugar workers at least the same relative benefit improvements as those realized by the closely related "food and kindred products" workers, or any other standard which can be demonstrated to more accurately reflect fair and reasonable wages, we are not introducing a radically new concept. On the contrary, we are asking nothing more than enforcement of a statutory provision enacted 28 years ago.

In dollars-and-cents terms, it should be noted that the $1.43 minimum wage yielded by our 91-percent-increase formula for Monterey County, along with appropriate increases for all other affected areas, is one falling far short of acceptable levels to the American public as well as to the average worker in our economy. While its adoption at this late date would do nothing whatsoever toward compensating for the longstanding hardships inflicted over the years by the Department of Agriculture's failings, it would represent a meaningful gesture on the part of Congress to restore worker and public confidence in the sincerity of its enactments.

Sincerely,

THOS. L. PITTS, *Secretary-Treasurer.*

(Whereupon, at 4 p.m., the committee recessed, to resume at 10 a.m., Monday, May 21, 1962.)

SUGAR

MONDAY, MAY 21, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Committee met at 10:10 a.m., pursuant to recess, in room 1310, New House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, McMillan, Abernethy, Jones of Missouri, Matthews, Breeding, McSween, Inouye, Harding, Purcell, Hoeven, Dague, Teague of California, Quie, Short, Mrs. May, Harvey, Dole, Beermann, and Fernós-Isern.

Also present: Christine S. Gallagher, clerk; and John J. Heimburger, counsel.

The CHAIRMAN. The committee will be in order.

Mr. Hope, will you please join us and sit with the committee.

Mr. HOPE. Thank you, Mr. Chairman. I am a little more accustomed to being up there.

The CHAIRMAN. The first witness is Mr. John A. O'Donnell, general counsel of the Philippine Sugar Association and also representing the National Federation of Sugar Cane Planters of the Philippines. We will be glad to hear you now.

STATEMENT OF JOHN A. O'DONNELL, GENERAL COUNSEL, PHILIPPINE SUGAR ASSOCIATION, WASHINGTON, D.C.

Mr. O'DONNELL. Mr. Chairman and members of the committee, I am John A. O'Donnell of Washington, general counsel of the Philippine Sugar Association and representing also the National Federation of Sugar Cane Planters of the Philippines. I have appeared before this committee on earlier occasions in connection with proposed sugar legislation but it might be well again to describe the nature of the interests in behalf of which I come before you.

The Philippine Sugar Association embraces about 25 leading processing mills in the Philippines. The federation is made up of representatives of more than 35,000 planters who are small independent businessmen engaged in growing sugarcane.

As an introduction to my remarks it is appropriate to quote from the President's budget message of January 18, 1962:

> The Sugar Act expires on June 30, 1962. Legislation will be proposed extending it with substantial revisions to bring this program into line with the greatly changed world sugar situation. Under this legislation the difference between the domestic and world price of sugar, which is currently received by foreign suppliers of sugar will be retained by the United States to the extent permitted by existing international agreements * * *.

With your permission I shall also quote in part from President Kennedy's reply to the new Ambassador of the Philippines, Hon. Emilio Abello, when he presented his credentials:

> The United States is sympathetic to the needs of the people of the Philippines and is aware of the efforts of your leaders to mobilize the human and natural resources of the Nation for economic development. You may be assured that the United States will assist in this laudable program wherever it can * * *.

It is consistent with these words of the President of the United States that in the proposed revision of existing sugar legislation sponsored by the administration the integrity of our relations with the Philippines is preserved to the extent that recognition is given to the fixed annual Philippine sugar quota of 980,000 tons at prices established domestically in the United States.

The rest of my statement is devoted to establishing a case which will lead you (*a*) to increase that quota, and (*b*) to grant the Philippines a fair participation in additional U.S. sugar imports without levying import fees or otherwise recapturing premiums as is proposed in the revisions suggested by the administration.

I shall not burden the record by repeating statistics and arguments which have been presented to this committee by my colleagues and myself in connection with the present hearing and on prior occasions. Nonetheless, I suggest that it may be helpful to review a few chapters of history, economics, and international relations pertinent to your deliberations.

We recognize with understanding and respect the programs which this Congress may adopt for the production of beet and cane on the U.S. mainland, in Puerto Rico, Hawaii, and the Virgin Islands. The requests of Philippine sugar suppliers are directed only towards sugar imports which from time to time the United States will require.

The estimate of basic sugar consumption of the United States last announced by the Department of Agriculture is 9,700,000 tons for the calendar year. The supply for the 6 months ending June 30, 1962, is being met by domestic producers in the amount of 2,593,250 tons and by foreign suppliers as follows:

Country	*Short tons raw value*
Philippines	672, 401
Peru	329, 998
Dominican Republic	479, 195
Mexico	398, 590
Nicaragua	50, 000
Haiti	5, 208
Netherlands	5, 070
Republic of China	54, 059
Panama	5, 059
Costa Rica	10, 059
Canada	316
United Kingdom	258
Belgium	979
British Guiana and British West Indies	10, 556
Hong Kong	2
Colombia	30, 000
Brazil	80, 000
India	100, 000
El Salvador	5, 000
Ireland	5, 000
Guatemala	5, 000
Fiji Islands	5, 000
French West Indies	5, 000

It will be observed from the foregoing figures that with Cuba out of the U.S. sugar market, the Philippines are by far our largest foreign supplier. Moreover, the Philippines alone among foreign suppliers are geared exclusively to the U.S. market. What is done about sugar in the Congress is, therefore, of vital significance to Philippines planters and millers.

The sugar trade between the United States and the Philippines goes back a long time. In the decade of the 1880's sugar exports from the Philippines to the United States averaged more than 200,000 tons each year, nearly three-fifths of our total imports. After the Spanish-American War sugar exports from the Philippines to the United States were on a nonpreferential basis. Commencing in 1902 the full duty on Philippine sugar was reduced by 25 percent; from 1909 to 1913 Philippine sugar entered the United States free of duty; from 1913 to 1934 not only were there no duties but there were quotas. Under these circumstances sugar exports to the United States from the Philippines increased from 102,000 tons in 1913 to almost 1,250,000 tons in 1933.

During World War II the Philippines were cut off and supplied no sugar to the United States.

By treaty and under the Sugar Act of 1948 a Philippine annual quota of 980,000 tons was established. This figure has remained static although quotas for other foreign suppliers have been increased. The current proposals retain the old figure of 980,000 tons. No consideration seems to have been given to the following salient factors:

(1) The sacrifices which the Philippines made in reducing their sugar exports which had risen to a million and a quarter tons annually in the 1930's.

(2) The wartime destruction of the Philippine sugar industry with the result that for a period of 13 years from 1941 to 1954 Philippine sugar was either totally or in good part out of the U.S. market.

(3) The total elimination of the Philippines from participation in the annual increases of U.S. sugar consumption due to population growth, such increases aggregating since 1957 nearly 1 million tons.

(4) The promise made by President Eisenhower to give consideration to increased participation by the Philippines in the U.S. sugar market when new amendments should be adopted; that is, now. That is now.

During all of the period prior to 1946 the Philippines were a part of the United States and, in the attitude of homefolks as it were, sugar producers raised little objection to eliminating some sugarcane fields and otherwise adjusting to the reduction in U.S. sugar requirements. Although the Philippines became an independent nation in 1946, the special relationship which existed between our respective peoples was not automatically dissipated by the separation of political powers. A practical result of this intangible element is that sugar production in the Philippines is still geared to U.S. needs and prices.

Whatever the special relationship obtaining between the United States and the Philippines and despite any extraordinary consideration which should have been given to the Philippines in connection with its sugar exports to the United States after a reduction of participation from 15.41 percent of 1937 to 10 percent in 1948, the basic quota of 980,000 tons annually established by treaty seems to remain static.

At the time the amendments of 1957 were approved, President Eisenhower stated:

> It was not considered feasible to recommend an increase in the Philippine quota at this time. I believe, therefore, that when new amendments are being prepared at the conclusion of the present act—

Which is now—

consideration should be given to allowing the Philippines to share in increased consumption as is now provided for other foreign countries by this bill.

Accordingly, the sugar planters and millers for whom I speak respectfully ask that in the present revisions of sugar legislation they indeed be allowed to share in the increased sugar consumption of the United States as has been provided for other foreign countries.

Specifically, we request that—

(*a*) The Philippines annual fixed quota, at domestic prices, be increased from 980,000 to 1,180,000 tons annually and that any changes in current sugar legislation include this increase.

(*b*) The Philippines be allowed a participation in the annual growth of U.S. consumption due to population increases in addition to the basic quota of 1,180,000 tons, of a cumulative increment of 10,000 tons annually, at domestic prices, beginning in 1963.

(*c*) The Philippines be allowed to share equitably beyond its basic quota and the cumulative increment of 10,000 tons per year, in additional sugar imports of the United States, provided that the share allotted to the Philippines be at domestic prices with no recapture in whole or in part of the premiums over so-called world market prices.

The Philippine sugar industry respectfully submits that these requests for enlarged participation, in U.S. sugar imports are just and reasonable and are supported by the following considerations.

First: It is proposed in the amendments before you again to limit the basic annual quota of the Philippines to 980,000 tons. In this connection, it should be recalled that the Philippine quota will, as a practical matter, determine the limits of Philippine production for export. The reason for this is that Philippine sugar production is geared to the U.S. market. There is no incentive to producing export sugar beyond what the United States will take at domestic prices.

Other foreign suppliers like Mexico, Santo Domingo, and Cuba, before Castro, produced and sold in the world market an amount of sugar at least equal to that exported to the United States. The Philippines since the approval of the Sugar Act of 1937 have virtually renounced any part of the world quota because of their exclusive interest in the allotment of a portion of the U.S. market. Someone may answer that there has been a quota for the Philippines in the world market. This is true to a minute extent. The Philippines had a nominal quota of 25,000 tons in the world free market and an additional optional quota of 20,000 tons. But this quota has not been filled except in one instance on a barter basis because due to import control in the Philippines the goods which were obtained in exchange for sugar were highly valued. With that insignificant exception, hardly worth noting, the Philippines have exported sugar only to the United States; therefore, the costs of production are correspondingly geared to the price in the U.S. market. The world market quota for the Philippines has been renounced with the approval and even the blessings and encouragement of the U.S. Government.

Second: The Revised Trade Agreement of 1955 between the United States and the Philippines contains the following language:

The establishment herein of the limitations on the amount of Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increase which the Congress—

I repeat, "which the Congress"—

of the United States might allocate to the Philippines in the future.

There is thus ample authority for the Congress to increase Philippine allocations and an implied promise that this will happen.

Third: In 1960 the President of the United States was granted the authority to make changes in sugar imports because of the political defection of Castro's Cuba. The President thereupon terminated Cuban sugar imports. This step resulted in an immediate deficit in U.S. sugar requirements of about 3.2 million tons annually. Foreign suppliers were called upon to increase their supplies to meet the deficit. Planters and millers in the Philippines despite the straitjacket into which their production had been fitted responded to the extent that they made shipments to the United States of 743,337 short tons raw value since July 1960. They filled their basic quota and substantially met an additional call amounting to about 15 percent allotted to them by law at the time of the Cuban emergency.

Fourth: The Philippines traditionally have been and now remain one of the best customers of the United States. Wheat, milk, electrical apparatus, automobiles and parts, and numerous other products have found a primary market there. During the last 10 years from 1952 through 1961 Philippine imports from the United States have averaged more than $300 million annually, which represents 55.5 percent of total Philippine imports. The trade balance in favor of the United States have averaged approximately $50 million yearly.

Purchases abroad result from the vitality and the promise of the general Philippine economy and these in turn depend upon the sugar industry. Any deflation or loss of prospects in this industry will remove the incentive and the resources guaranteeing the continuance of our favorable international trade with that country.

Fifth: The Philippines under conditions created and maintained by U.S. sugar laws and practices, including the fixed quota and price premium devices, have rebuilt sugar facilities from practically nothing due to war losses to first place in the structure of Philippine business life.

In the 13-year period, 1941–53, the Philippines could only ship to the United States 4,433,501 tons out of their total quota of 12,376,000 tons, thus leaving a deficit which they could not fill due to no fault of their own of 7,952,499 tons. This deficit valued at approximately a billion dollars was filled by foreign suppliers, principally Cuba. Subsequent history has presented no opportunity to the Philippines to make up for this vast loss.

Sixth: The present invention in the sugar industry in the Philippines is estimated at $750 million. Approximately 3 million people out of a population of 28 million depend on sugar for their livelihood. Banks, insurance companies, shipping and manufacturing and other industrial institutions depend largely upon the existence and growth of sugar. This all-pervading activity pays more taxes than any other

in the Philippines and has shown as great a degree as any in modernization techniques and social welfare progress.

Seventh: Ever since the quota system was conceived a quarter of a century ago, sugar suppliers the world over, including the Philippines, believed that behind the quota system and the premium payments was a practical purpose to insure supplies in the United States at stable prices at all times. Until a very recent date, Government authorities maintained that the techniques of assured quotas at U.S. domestic prices guaranteed supplies and stabilized the sugar market. Proponents of the amendments to the Sugar Act under consideration now maintain that so-called global quotas will restore the security of supplies which, it is further contended, is now in some danger not clearly apparent to the sugar industry.

Eighth: Spokesmen for the proposed amendments further insist that the removal of premiums through the levying of import fees will allow the global sugar economy to function freely. Moreover, it is stated that the funds derived from the levying of import fees, which will revert to the U.S. Treasury, will ultimately create resources which can be employed to furnish assistance to other countries. Finally, it is argued that to continue premium payments upon imported sugar will unduly encourage foreign sugar production and will ultimately disappoint foreign producers whose output cannot be completely absorbed by the United States unless we are prepared to overstock through the purchase of the entire world sugar surplus.

Assumptions based upon the existence of a genuine world market to which foreign sugar producers should be relegated for participation in any U.S. sugar requirements in excess of established quotas are fallacious. Carefully planned systems in the production, flow, and acquisition of sugar supplies are commonly promulgated and maintained by governments all over the earth. It has long been recognized that it would be impossible to guarantee a steady and adequate supply of sugar for consumers in Great Britain, for example, as well as the United States, if there were a freely competitive world market or if the only reward to the producers would be the average price commanded by the relatively small amount of sugar which is left in the world after the systematic distribution of available supplies is accomplished.

In the past the so-called world market has simply been a dumping group for sugar supplies which were not absorbed through quotas and systematic planning. In the future to depend on a competitive world market for the greater part of the supplies which the United States will always require may place in the hands of the determined enemies of our economy the power to manipulate sugar supplies to the ultimate detriment of U.S. consumers.

It has been said correctly that the so-called world market price is an artificial, unstable price, practically always below the cost of production, a marginal market subject to political pressures.

Ninth: The argument that a fund in the Treasury of the United States made of fees representing a recapture of premiums on sugar imports would be available for assistance to foreign nations has no application to the Philippines. That country is not comparable with those requiring the first stages of financial aid from the United States. The Philippines more accurately come within the reasoning of Sec-

retary of State Dean Rusk, who said in a speech delivered December 1, 1961, to the Conference of International Social and Economic Development:

> The drop of a few cents in a primary commodity can, for example, in a particular country, wipe out by several times any effect of American aid to that particular country.

To recapitulate briefly:

First: The Philippines having been the only foreign sugar supplier not receiving an increase in its basic quota in the 1956 amendments to the Sugar Act should in all fairness now receive a substantial increase in their basic quota and allowances of additional imports at domestic prices in fair proportion with other foreign suppliers.

Second: The revised United States-Philippines Trade Agreement of 1955 specifically empowers the Congress to increase sugar imports from the Philippines and impliedly promises such an increase.

Third: In spite of the static quota of 980,000 tons annually the Cuban emergency found Philippine producers extending themselves to supply approximately 15 percent of the sugar deficit resulting from the termination of Cuban sugar imports.

Fourth: Since Philippine sugar production is high cost and geared exclusively to the United States market as to amount and price, any increases of the fixed quota or further allotments of sugar imports from the Philippines must be at domestic prices without any provision for recapture of premiums either at one time or on a graduated scale, and in amounts which will encourage the Philippines to keep their producing facilities at a high level.

Fifth: It will be fair, reasonable, consistent with an historical pattern of alloting to Philippine suppliers about 15 percent of the U.S. market and, finally, in fulfillment of our Government's promises:

(*a*) To increase the Philippine fixed annual sugar quota to domestic prices with no provision for import fees from 980,000 tons to 1,180,000 tons;

(*b*) To allow the Philippines to participate in the annual growth of U.S. consumption due to population increases in addition to the basic quota of 1,180,000 tons, to the extent of a cumulative increment of 10,000 tons per year, at domestic prices without any provision for import fees, beginning in 1963;

(*c*) To change the proposed amendments to the Sugar Act accordingly;

(*d*) To allow the Philippines to share equitably beyond its basic quota and the cumulative increment of 10,000 tons per year in additional sugar imports of the United States, provided that the share allotted to the Philippines be at domestic prices with no import fees of any kind.

I probably have exceeded my time limit, so I shall conclude with the request that I be permitted to include in the record the following documents:

(1) A copy of a letter which I addressed to the Secretary of Agriculture under date of August 31, 1961, commenting on global quotas;

(2) A copy of a second letter to the Secretary of Agriculture dated January 4, 1962, elaborating on sugar administration in the Philippines and the cooperative efforts of the planters and the millers;

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(3) A transcript of a speech delivered to the Sugar Club of New York by the Honorable Jose E. Romero, secretary-treasurer of the Philippine Sugar Association on March 20, 1962; and

(4) A brochure prepared by the National Federation of Sugarcane Planters of the Philippines containing statistical and other data of interest to this committee.

May I offer my thanks and the thanks for the Philippine millers and planters for whom I have appeared for this opportunity to address you and for the consideration which you may show them.

This brochure is not available at the present time, but I understand will be here within the next 10 days. I hope that I will have permission to include it in the record at that time.

The CHAIRMAN. Without objection, the other documents will be included in the transcript, but the brochure, to which you have referred, will be made a part of the files of the committee.

Mr. O'DONNELL. Thank you very much, Mr. Chairman.

(The letters dated Aug. 31, 1961, Jan. 4, 1962, and the statement entitled, "Philippine Views on Reported U.S. Sugar Legislation Proposals" follow:)

PHILIPPINE SUGAR ASSOCIATION,
Washington, D.C., August 31, 1961.

Hon. ORVILLE FREEMAN,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The New York Times on August 9, 1961, published an article entitled "Administration Seeks To Drop Present Sugar Quota System." The article reads in part as follows:

"WASHINGTON, August 8.—The administration is preparing to ask Congress to approve next year a new Sugar Act eliminating the 27-year-old system of individual quotas for foreign producing countries * * *.

"To replace the system that is now generally considered to be obsolete and economically and politically harmful to U.S. interests, the administration is thinking along the lines of setting up a 'global' import quota competitively to all the producers * * *.

"To continue the protection of the domestic sugar industry, which cannot produce as cheaply as the foreign suppliers, the new plan would provide for the maintenance through a new device, of the price differential between the United States and world markets.

"Thus, instead of paying the premium—which averages more than 2 cents a pound—directly to the foreign producers, the U.S. Treasury would collect it and place it into a fund to help underdeveloped countries. In 1959 these premium payments amounted to nearly $170 million, of which $153 million went to Cuba * * *.

"However, there is basic agreement that the time has come for the United States to change radically its sugar legislation that long has been considered antiquated * * *.

"The main political-economic consideration raised by the Cuban situation is that the cutting of Cuba's quota makes the entire system of individual quotas untenable.

"The switch to a free market, regulated only by a 'global' quota, therefore appears to be the only solution to these problems, administration officials think * * *.

"The premium paid by the U.S. consumer, it was said, can probably be better used if it is handled through a development or stabilization fund, rather than increased individual profits."

Assuming that the Times reporter speaks with authority, there is implicit in the foregoing news item prospects for the future of sugar production and commerce of a revolutionary character promising repercussions in every sugar-producing area in the world.

This is a subject of great interest to me, a longtime student of the sugar trade and presently general counsel of the Philippine Sugar Association and

the National Federation of Sugarcane Planters of the Philippines. Because I know that it is also of intense and immediate concern to you, sir, I ask your indulgence while I make some observations and suggestions inspired by the New York Times report. Some of what I have to say covers familiar ground which, however, I must tread upon briefly in order to present the ideas which are included in this memorandum.

I. BACKGROUND OF U.S. SUGAR IMPORT SYSTEM

Historically, the supply of sugar to satisfy the requirement of consumers in the United States has been derived from domestic producers out of cane and beets and foreign suppliers from the same agricultural products.

The general pattern of the sugar trade is based upon the historical flow of duty-free sugar from Hawaii and Puerto Rico and preferentially treated shipments from Cuba and the Philippines. The tariff on the importation of sugar commenced as a revenue measure but became protective at the time early in the 20th century when production of sugar within the United States became substantial.

During the late 1920's the United States received annually about 3.7 million tons of sugar from Cuba, about 2 million tons from domestic mainland and offshore producers and 600,000 tons from the Philippines. In the 1930's, production of sugar in the domestic areas and the Philippines increased to 4.7 million tons. During the same period exports of sugar from Cuba to the United States declined nearly 2.6 million tons.

The depression years of 1930–33 had a major effect on the position of sugar in the U.S. economy. Consumption declined and domestic and Philippine production increased with tariff protection and low prices for other crops. Cuban sugar growers were faced with the prospect of declining exports to the United States and a commensurate drop in prices.

In 1934 the Jones-Costigan Act (Public Law 213, 73d Cong., Sept. 1, 1934) provided the framework for a system of quotas for both domestic areas and foreign countries. The broad objectives of this act and succeeding sugar quota laws have been generally regarded as a safeguard for U.S. consumer supplies at realistic prices.[1]

To insure (*a*) production in the United States at a level attractive to growers and (*b*) exports by foreign suppliers to the United States, the quota system has worked very satisfactorily and has been continuously employed by the United States up to the present time. In addition, the United States has adopted the policy of paying a premium over the sugar prices quoted in the so-called world market. Since the U.S. premium prices are undeniably attractive to producers here and abroad, there has been lively competition for the U.S. market. It has been thought wise to fix a division of this market at 55 percent for domestic producers and 45 percent for foreign suppliers. The Department of Agriculture under the provisions of the Sugar Act of 1948, as amended in subsequent years, announces annually the sugar consumption of users in the United States and legal provision has been made for the sugar quotas to be allotted to foreign sugar-producing areas.

The program followed by the United States implemented by laws, regulations, and administrative rulings has resulted in a steady flow of sugar adequate to meet the demands and desires of ultimate consumers and pricewise not out of line with the rest of the world. There has been recognition and adequate consideration of (*a*) consumers; (*b*) domestic growers; (*c*) foreign suppliers active in international trade. Within the United States particularly the sugar laws have had beneficial effects (*a*) in providing ample supplies when and where needed at fair prices for industrial users; (*b*) in maintaining distribution of sources of raw sugar for refiners at their respective locations; (*c*) in distributing opportunities in the sugar market between cane and beet growers.

Among foreign countries, interest in exporting sugar to the United States has been sustained through the allotment of quotas and the establishment of so-called premium prices. The system has succeeded in guaranteeing necessary sugar supplies to meet deficits in U.S. production. The efficacy of the system has met the test of experience showing its ability to rise to an emergency when imports from Cuba, the supplier of roughly one-third of the consumption of the United States, were cut off. Domestic and other foreign suppliers, creatures of the U.S. system,

[1] "Special Study on Sugar," Department of Agriculture, Feb. 14, 1961.

were able on short notice to fill the vacuum created by the suspension of Cuba's quota.

The basic sugar requirement of the United States last announced by the Department of Agriculture was 10 million tons. This supply is being met by domestic producers in the amount of 5,531,500 short tons, raw value, and by the following foreign suppliers:

	Short tons raw value		*Short tons raw value*
Republic of the Philippines	1,470,731	Hong Kong	30
Peru	666,377	Federation of the West Indies and British Guiana	266,007
Dominican Republic	333,880	El Salvador	12,000
Mexico	685,000	Guatemala	17,000
Nicaragua	43,368	Brazil	336,474
Haiti	45,273	Ecuador	36,000
Netherlands	10,000	Colombia	46,000
China (Formosa)	190,028	French West Indies	75,000
Panamá	10,000	Australia	90,000
Costa Rica	30,250	Paraguay	5,000
Canada	1,897	India	225,000
United Kingdom	1,550		
Belgium	1,635		

The existing law has been extended to June 30, 1962. Pursuant to congressional action the President of the United States in the meantime has the discretionary right to reallot quotas and import conditions. Whether or not Cuba during the interval will be accepted again into the society of free nations and thereupon reallotted all or part of its former quota is conjectural, but events have made it clear that the defection of Cuba and the loss of its sugar supplies have created no serious hardship in its effect on U.S. sugar consumption and prices.

II. SUGGESTED REVISION OF THE U.S. SUGAR SYSTEM FOR THE PRESENT AND THE FUTURE

The success which in many aspects of commerce has characterized the sugar formula of the United States since 1934 does not mean that we must accept this system as final or the answer to all of the many problems which continue to plague industry as well as Government. We are not called upon to adhere forever to a policy because of its age or historical practicality. Progress is dynamic and if the present administration of our Government favors an advance of sugar laws and regulations, no blind devotion to the past should stand in its way. The time may well be here for a new look. What is of concern at this time is the prospect of proposals for revision and renovation merely for the sake of change. The substitutions more than hinted at in the New York Times article may entail a change but pose more questions than answers.

According to the article the administration is preparing to ask the next Congress to approve laws eliminating entirely the system of individual quotas for foreign sugar-producing countries; to replace this system by a "global" import quota open competitively to all producers; finally, to provide a price differential between the United States and the world markets accompanied by a procedure for paying the sugar price premiums directly into the U.S. Treasury instead of to foreign producers to constitute a fund for the assistance of "underdeveloped countries."

Apparently the following assumptions are being erroneously entertained by those who wish to destroy the quota system and to substitute for present methods of paying premiums the establishment of some sort of international development funds: (*a*) There is an actual and genuine "world market" regulating a basic sugar price; (*b*) the premium of more than 2 cents per pound paid in the United States provides a substantial windfall to foreign producers; (*c*) because Cuba with its earlier disproportionate share of the import quota is no longer a reliable source of supply, the whole quota system is a failure; (*d*) the differential between sugar prices paid by the United States and the prices quoted in the so-called world market will be more effectively employed if the total premium is handled through a development fund rather than given directly to foreign sugar growers; (*e*) the total of about $170 million of premium

payments will have discernible beneficial effects in the multibillion-dollar totals which the United States in the future will use in its international development efforts.

An observant eye and a sensitive ear detect blanket proposals for revision of U.S. policy and law radically in favor of scrapping the quota system while at the same time retaining price premiums to be used generally by the U.S. Government in foreign aid programs. The arguments behind such proposals omit references to realistic pressures and, at least as reflected by the New York Times review, do not accurately present the concerns of experts in the sugar field.

Categorical viewpoints are ascribed to the Department of Agriculture while as a matter of fact the Secretary of Agriculture and his staff members are still studying the broad question of the future of the domestic sugar industry and foreign suppliers. The respected chairman of the House Committee on Agriculture, Representative Harold D. Cooley, is quoted as an authority on the abandoning of the quota system with a rather narrow reference to a letter in which he quite correctly said that past sugar legislation was predicated on the assumption that Cuba was a reliable and ever-available residual supplier to which we could look for our sugar supplies whereas (because of Cuba's defection) our future in sugar could no longer be based upon this assumption.

The extremes to which the protagonists of change go, do not seem to be necessarily supported by the record and the authority of experts in and out of government.

III. SUGAR SYSTEMS IN AREAS OTHER THAN THE UNITED STATES: THE FALLACY OF THE WORLD SUGAR MARKET

Indications are that critics of the U.S. sugar quota system believe that this system is unique and that a world sugar market is realistic. Even a superficial study carries the conviction that orderly systems in the production, import, and acquisition of sugar supplies are promulgated and maintained by governments all over the world. It would be impossible to guarantee an adequate sugar supply for consumers in Great Britain as well as the United States if there were a freely competitive market or if the only reward to the producers would be the average price commanded by the small amount of sugar which is left in the world after the systematic distribution of available supplies is accomplished.

In a speech made in New York in April of 1960 the distinguished director general of the Union Nacional de Productores de Azucar of Mexico, Federico Patino, stated:

"It might be well at this point to make it clear that, in my opinion, the U.S. market price is and has been a decisive factor in assuring the consumer a steady supply at a stable price.

"The world market price is an artificial, unstable price, practically always below the cost of production—a marginal market subject to political pressures."

Further on this subject we have the words of the international sugar expert, Sir Edmund Bacon, as follows:

"One thing concerns me considerably, and that is the attitude adopted by some manufacturers in the United Kingdom who feel that by doing away with such things as the British Sugar Corporation, quota, and price-fixing mechanisms, they would be able to obtain their sugar at present world prices. It is difficult to persuade them that only about 11 percent of the world's total production is sold at world prices.

"I have, as I have already said, just been making a tour of the main islands of the Caribbean. The economy of these emerging countries is built almost entirely on sugar. If the United States and the United Kingdom ceased to give preferential treatment to producers of sugar, then I am convinced that a collapse of sugar prices would provide a further springboard in the Western Hemisphere for Communist designs."

In the search for a workable, practical, and genuinely beneficial program to take the place of the current U.S. system, it must be kept in mind that (*a*) domestic prices on many farm commodities like wheat, cotton, and rice are well above the quoted world price and that sugar is no exception; (*b*) higher than world prices will be maintained in the United States and increasingly adopted in other countries for its commodities, including sugar, to accompany higher wages and higher taxes in an increasingly elevated world standard of living; (*c*) the Soviet Union with its monolithic governmental organization is directing the expansion of its sugar production and exports through complete and undiluted manipulation.

To base a new and comprehensive sugar policy and administration in the United States upon the hypothesis that the quota system is all wrong and that a world market price on sugar is genuine would be flying in the face of ascertainable facts and might lead to confusing if not catastrophic results.

IV. THE SPECIAL CASE OF THE PHILIPPINES

Again quoting from the New York Times article of August 9, 1961: "The only exception is the Philippines which under a trade arrangement is guaranteed a quota of 960,000 a year which cannot be touched."

This brief reference to the Philippines in words and implications is inaccurate and misleading. Its brevity is not fair in the light of the deep significance of past and present participation of the Philippines in supplying sugar to the consumers of the United States. To do the subject greater justice and to use the Phillippine experience in devising improved techniques for modernizing and improving a complete U.S. sugar system, this memorandum will conclude with a fuller treatment of the Philippines in terms of reference to the sugar problems of the United States.

Turning for source material again to the "Special Study on Sugar" preparel by a group of the U.S. Department of Agriculture,[2] we find that the Philippines have been the second largest source of sugar supply for the United States since the early 1900's; in recent years they have supplied over 10 percent of our total sugar requirements; since July 1960 they have been our leading foreign supplier.

Beginning in 1902 the full duty on Philippine sugar was reduced by 25 percent; from 1909 to 1913 Philippine sugar entered free of duty; from 1913 to 1934 there were neither duties nor quantitative quotas. Philippine sugar exports to the United States increased from 102,000 in 1913 to almost 1,250,000 tons in 1933.

After the Philippine Independence Act was adopted in 1934 duty-free entry of sugar was permitted up to 50,000 long tons of refined and 800,000 long tons of raw sugar. During the war there were of course no sugar imports from the Philippines and under the Sugar Act of 1948 an annual quota of 980,000 short tons raw value was established and has remained static.

The Philippines became an independent republic in 1946 and the trade agreement[3] of that year [revised in 1955] provided for the duty-free entry of the Philippine quota until 1956 when it became subject to a duty equal to 5 percent of the duty paid on Cuban sugar. The agreement also provided for an increase in the duty of 10 percent of the Cuban rate on January 1, 1959, and for further progressive increases at 3-year intervals thereafter so that on January 1, 1974, the Cuban rate will apply and on July 4, 1974, the full duty rate on Philippine sugar will become effective.

The Philippines under the conditions provided by U.S. sugar laws and practices has rebuilt its sugar facilities from a point of total destruction during the war to where it represents the first place in the Philippine economy. The present investment in the industry in the Philippines is estimated at $750 million; approximately 3 million people out of a population of about 28 million depend on sugar for their livelihood. Banks, insurance companies, shipping, and other commercial institutions have a vital stake in the sugar industry.

The U.S. Government in general encourages trade which is likely to benefit the maximum number of people and we are, therefore, interested in Philippine statistics which indicate to us that the first beneficiaries of the growth of the sugar industry there are 35,000 farmers, most of them small averaging about 75 acres each with only about 10 percent working on holdings of 500 acres and over, wholly dependent upon sugar crops and their disposition.

It may be added that since the sugar industry is the mainstay of the Philippine economy it pays more taxes in the aggregate than any other Philippine activity. Workers are covered by minimum wage laws and the enlightened associations of component members of the sugar business maintain research and development programs, security, health and welfare plans, modern hospitals, schools, churches, and sports, entertanment and cultural facilities. As has been observed by stu-

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[2] "Special Study on Sugar," Department of Agriculture, Feb. 14, 1961.
[3] Philippine Trade Act of 1946 (Public Law 371, 79th Cong.; 60 Stat. 143).

dents in the field everything about the sugar business has improved except prices.

The "Special Study on Sugar" already cited states further:

"The Republic of the Philippines could increase production substantially if the price incentive is adequate. It has the capacity to produce enough to export larger quantities to the United States and provide for substantially increased domestic consumption. Current consumption of centrifugal in the Republic is about 26 pounds per capita, substantially below the world average. A very large proportion of the total centrifugal output has been produced specifically for the U.S. market. Since 1954 the Republic of the Philippines has produced enough sugar to supply its regular quota. In 1960, it supplied an additional 176,000 tons. In recent years, the Republic of the Philippines has shipped relatively little sugar to markets other than the United States. This tends to substantiate the generally accepted observation that the Philippine sugar production is relatively high cost."

We are led to the conclusion that the Philippines has responded with extraordinary alacrity to the requirements of the United States for regular and extraordinary sugar supplies. It did so under a fixed quota which was maintained even after other countries received increased allotments in 1956. At that time President Eisenhower gave recognition to the justice of the claim of the Philippines for an increased quota when, accompanying the approval of the extension of the Sugar Act in 1956 he issued the following statement:

"It was not considered feasible to recommend an increase in the Philippine quota at this time. I believe, therefore, that when new amendments are being prepared at the conclusion of the present act, consideration should be given to allowing the Philippines to share in increased consumption, as is now provided for other foreign countries by this bill."

Although its fixed quota was not increased the Philippines nevertheless mustered its resources to assume the responsibility for shipping an additional 176,000 tons in 1960 to help make up the deficit created by Cuba's defection.

There is a serious question as to whether the sugar industry in the Philippines could have rebounded to the extent and with the general economic benefits to the country which have been evidenced since 1948 if in the first instance the Philippines had not been guaranteed an outlet to the United States under the quota system and in the second place been promised a price substantially in excess of the so-called world market price. As represented in the "Special Study on Sugar" the Philippines ships practically no sugar to markets other than the United States and, moreover, produces its sugar at a relatively high cost in order to attract businessmen and workers under the rapidly rising standards of living in the Philippines.

The condition which is intended to be emphasized with respect to the Philippines has a definite relation to proposals for changes in any system adopted by the United States for the production and import of sugar supplies to take the place of the quota and premium supports at which attacks are being leveled from high places.

Not only should the adherents of reform pause to reflect on whether the Philippines in particular or other countries generally could have been held in the sugar orbit of the United States without the drawing force of quotas and price premiums but should give careful consideration to the wisdom of including in future planning a more definite and longer term guarantee of imports, call them what you will, and premium prices to be paid directly to the producers for their encouragement rather than be deposited in the general fund for foreign aid in which, by comparison with other financial provisions made for this purpose, they would be a drop in the bucket.

Since I do not possess omniscience, I am not prepared to offer a panacea for all our sugar ills. I have only tried to select historical data and recall circumstances which may guide us in adopting techniques which will improve, not only change, existing conditions. I hope that the remedies which are adopted will not be experimental and revolutionary. In a dynamic world we should indeed not be the last to cast the old aside but we should not, conversely, be the first by whom the new is tried.

There is much that can be borrowed from the quota system. Sugar-producing areas where costs will be rising should have some assurance in advance of a market of assured quantity in the United States. The present plan might well be extended to cover long periods of time which will give producing interests an idea of their future.

By the same token satisfactory price levels should be continued for the purpose of attracting sugar supplies from other areas as well as encouraging

domestic production. The visionary prospects of using the excess of U.S. prices over an unrealistic world market price to establish a fund for general assistance to underdeveloped countries appears to have much less practicability than the immediate inducement to producers offered by a direct payment plan such as now exists.

Finally, the Philippines which for a long time has shared with us in sugar production and in aspiring for a higher standard of living should be included specifically in any future plans for assured sugar imports at prices which will not drive sugar planters and millers out of business.

With my deep respect and very good wishes, I am,

Sincerely yours,

JOHN A. O'DONNELL, *General Counsel.*

PHILIPPINE SUGAR ASSOCIATION,
Washington, D.C., January 4, 1962.

Hon. ORVILLE FREEMAN,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: The rumors which I called to your attention in my letter of August 31, 1961, quoting an article of the New York Times to the effect that the administration is contemplating the abandonment of the sugar quota system and the adoption of a procedure of paying premiums over so-called world prices directly into the U.S. Treasury for use in foreign aid generally have now been crystallized into the definite prospect that legislation will be recommended to Congress early in the next session incorporating these ideas.

It is fair to assume that recommendations of revolutionary changes in our sugar import and price policies result from the thinking of theoretical economists close to the administration whose attitude of reform is commendable but not always and in all particulars realistic.

In connection with foreign loans, grants, and trade benefits, political and economic observers have come to the conclusion that much of our financial benevolence has resulted in a "bonanza for the few" thus encouraging rather than deterring terrible upheavals resulting from unfair distribution. The economic planners of the administration in connection with the Alliance for Progress concept have begun to talk about tax reforms and land reforms, and other types of economic improvements for the benefit of the masses as prerequisites to the extension of the familiar outstretched hand of the United States. Somehow or other, without any systematic discrimination among foreign areas, the sugar quota system and premium prices to foreign sugar producing areas have fallen within the reform pattern of the administration.

Whatever may be true of other lands and areas, the Republic of the Philippines definitely does not fit within the pattern. The families of workers in the sugar plantations as well as the planters, millers, and shippers are alarmed by reports that the United States is about to adopt a new Sugar Act which will indiscriminately abolish the 27-year-old system of individual quotas and the premium prices which accompany it.

Laws which have been continuously enforced in the Philippines since the days of the Commonwealth Government under Gov. Gen. Frank Murphy protect the interests of the sugar workers in the fields. The Republic of the Philippines has embarked upon a course of enlightened legislative programs in which the concept of concentration of wealth in the hands of the few has been relegated to a dim and distant past now all but forgotten. The sugar quota system and premium prices paid in the United States for sugar produced in the Philippines have resulted in benefits which are not only gratefully accepted by all classes in the Philippines but actually form a necessary element in the country's general economy. There may be profits indeed functioning as an incentive to business leaders, but adequate labor laws, wage minimums, and welfare provisions guarantee that by far the most substantial part of the price premiums paid by the United States to the Philippine sugar industry raises the standard of living of the working people and thus helps the Philippines in the maintenance of its free economy and its democratic government flourishing in the Far East where communism is entrenched in many places and threatens to extend its influence into others.

To understand fully the position of the Philippines and the necessity for separating that friendly country from a general concept that the sugar quota system

and sugar price premiums in the United States result in a "bonanza for a few" there, a brief exposition of the background of the Philippine sugar industry may be profitably examined.

In preparing the part of this memorandum which follows I have used a number of authoritative sources, but mainly I quote from or paraphrase portions of a paper prepared by Mr. Casiano Anunciacion, editor of the Philippine Sugar News, an accepted authority on the sugar industry in all its phases.

THE PHILIPPINE SUGAR INDUSTRY

Historical background

Sugarcane was already being grown in the Philippines long before 1521 when Magellan arrived, and has been raised since in practically every Province either for sugar making or for chewing. Whereas low-grade sugars (muscovados and panochas) were then being produced and exported by the Philippines, the establishment of free trade between the United States and the Philippines in 1909 paved the way for the modernization of the islands' sugar industry resulting in the gradual replacement of thousands of carabao-driven muscovado mills by centrals producing centrifugal sugar.

From 1923 to 1934, practically all of Philippine sugar exports went to the United States, the quantity gradually increasing from 1924 until 1934 when Philippine exports amounted to 1,270,590 tons. While the Philippines was allowed to ship this much sugar to the United States in 1934 (holding in customs bond starting on October 15, 1934, until January 1, 1935, the excess over the quota of 952,000 tons), sugar production for 1934–35 in the Philippines and export to the United States had to be drastically reduced due to the retroactive effect of the Jones-Costigan Act.

With the modernization of the industry a significant change took place in the system of production of sugar in the Philippines. This change which made sugar production a cooperative enterprise between the sugarcane planters and the central is described by Carlos L. Locsin, as follows:

"The present day farmer no longer works singly. He is still an individual producer but has become at the same time a member of a producing community that limits its farming activities to raising sugarcane for delivery to a central milling establishment where his sugarcane is processed into centrifugal sugar on a sharing basis * * *.

"The profits of the enterprise are therefore divided between the farmer and the manufacturer. Each party has its production cost expenses to look after * * *.

"From a 40 percent share of the sugar milled—approximately that same part of the sugar content of the cane that the old muscovado mills left unextracted—the milling company in turn makes its profit * * *."

Planters' rights to U.S. sugar

Executive Order No. 900, section 10 provides: "The plantation-owner's U.S. production allowance and U.S. marketing allotment shall be filled and all rights thereto appertaining shall be exercised by each planter on, or connected with, the plantation which delivers to the mill in its own name sugarcane grown on the whole or a part of the plantation which he is entitled to cultivate by virtue of ownership, or by virtue or written or oral contract with the owner of the plantation. Any plantation owner who cultivates the whole or a part of his plantation shall be considered a planter in respect to the area he cultivates. The percentage of the plantation-owner's U.S. production allowance and U.S. marketing allotment which a planter fills shall be known as the 'planters rights to the U.S. sugar' and shall be determined by the following ratio:

> "Average annual quantity in pounds if centrifugal sugar manufactured by the mill during the 3 calendar years 1931, 1932, and 1933 from sugarcane grown on the portion of the plantation which the planter or his predecessor in interest were entitled to cultivate."
>
> "Average annual quantity in pounds of centrifugal sugar manufactured by the mill during 3 calendar years 1931, 1932, and 1933 from sugarcane grown on the plantation."

Sugar administration in the Philippines

Audits.—The first step in sugar administration, begun early in July 1934, was an audit covering in complete detail the ownership, operations and production for the 1930–31 to 1933–34 crop years of each of the 47 centrifugal sugar

mills and 3 refineries. This was followed by an audit covering area, title ownership, leaseholds (written, oral, or customary) and production for the 1930–31 to 1933–34 crop years of each of the 21,229 sugar plantations from which cane was delivered to the mills * * *

Allocation of U.S. quota.—The second function undertaken by the administration was the allocation of the Philippine quota of sugar permitted to be shipped to continental United States.

The Governor General in June 1934, determined that the allocation among mills, plantations, and planters should be proportionately on the basis of their average annual production during an index period consisting of the calendar years 1931, 1932, and 1933. Inasmuch as the Jones-Costigan law was not enacted and the authority to allocate was not received until the 1933–34 crop had been almost entirely shipped or contracted for sale in a quantity half again as large as the quota, no individual mill and plantation allotments were made for 1934. Agreement was had with the Agricultural Adjustment Administration in Washington to admit into the United States all 1934 sugar shipped prior to October 15, 1934, hold the excess over quota in customs bond until January 1, 1935, then admit it and charge it against the Philippine quota for 1935.

For the calendar year 1935 (covering the crop year 1934–35) 524,606 short tons, raw value, and for the calendar year 1936 (covering the crop year 1935–36) 969,106 short tons, raw value of centrifugal sugar were allocated to the 47 mill companies, 21,229 plantations, and 23,734 planters.

Range and distribution of U.S. production allowance

G. H. Bissinger, in an article on "Philippine Sugar Control (Range and Distribution of Production Allowances)" in Sugar News, April and May, 1935, reports the 1936 average U.S. production allowance for the Philippines as a whole at 576 piculs and the average domestic plus reserve production allowance at 62 piculs, bringing the combined production allowance to about 638 piculs for each of the 24,083 farming entities. With an average participation in 1936 of 50 percent between mill and planter, and an average price of ₱8 per picul, this indicates an average gross income per farm of ₱2,552 per year.

It is believed that, notwithstanding the consolidation in the number of sugar mills from 45 in prewar years to 25 after the war, the number of farming entities has remainded practically the same, sugar production being maintained on the same level as it was before the war. If at all, there has been an increase in the number of planters, the so-called emergency planters numbering about 7,000, who raised and delivered cane to the mills from the early liberation years up to the present time, and who have since been given domestic consumption allotments; but these would not affect the range and distribution of U.S. production allowances as determined.

Pursuant to the provisions of Act 4166, as amended by Commonwealth Acts Nos. 77, 323, and 584, and Republic Acts Nos. 279, and 1072, and of Republic Acts Nos. 1825 and 3017, and by virtue of the authority vested, the Sugar Quota Administration has allocated the regular quota of 952,000 short tons, commercial weight for 1961 to the mill companies and planters on the basis of coefficients and planters rights set forth in Executive order of the Governor-General No. 900 and others.

The nonquota sugar allocations of 171,385.25 short tons, commercial weight, during the last half of 1960, and of 476,710.12 short tons, commercial weight, during the current year have similarly been allocated to the mills and planters. Section 1 of Philippine R.S. No. 1825 of June 22, 1957, providing for the allocation, reallocation and administration of the absolute quota on sugar reads as follows:

"The Sugar Quota Administrator shall allocate annually the quota for unrefined sugar which is a Philippine article as defined in subparagraph (f) of paragraph 1 of the Protocol to the Revised Agreement on Trade and Related Matters Between the Republic of the Philippines and the United States of America dated September six, nineteen hundred fifty-five (hereinafter referred to as the Revised Agreement), which may be entered, or withdrawn from warehouse, in the United States for consumption in any calendar year, or part thereof, during the period from January first, nineteen hundred fifty-six to July third, nineteen hundred seventy-four, inclusive, including that required to manufacture the refined sugar, to the sugar-producing mills and plantation owners in the Philippines in the calendar year nineteen hundred forty whose sugars were exported to the United States during such calendar year, or to their successors in interest, proportionately on the basis of their average annual production (or

in the case of a successor in interest, the average annual production of his predecessor in interest) for the calendar years nineteen hundred thirty-one, nineteen hundred thirty-two and nineteen hundred thirty-three, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled."

Significance of sugar to economy

The largest postwar production was achieved in 1954–55 with an output of 1,434,475 tons. This record was broken in 1959-60 when 1,529,274 tons was harvested.

It is noteworthy to recall that the total loans, discounts, and overdrafts outstanding in the Philippines as of December 31, 1954, amounted to ₱688.9 million. Of this amount, ₱210.00 million or 30.48 percent is advanced on sugar. It can therefore be conservatively estimated that the 1959-60 crop which has established a new postwar record production must have had greater significance to the Philippine economy.

Reliable data for 1959 and for 1960 covering the paid-up capital of 23 sugar centrals show a total of about ₱150 million and their fixed assets a total of ₱275,247,000.

If the cost of labor in the sugar centrals, which has been reported to be 38 percent of the total cost of production is correct, using the payroll of ₱33,854,327 in 23 centrals for 1959 and 1960 will bring the total cost of production that year to ₱89,200,000. Similarly, with an estimated payroll of ₱51,823,000 in the farms and plantations the total cost of production will amount to ₱136,300,000. On a nominal share of 40 percent and 60 percent to the mills and the planters, their minimum per picul direct production cost will be about ₱10.17 and ₱10.36, respectively.

The total payroll of ₱33,327,000 at 23 sugar centrals for 1959–60, with a labor force numbering 20,516 persons would indicate a gross income for each worker of ₱1,624. Assuming the number of dependents of each at four, the number of beneficiaries of the centrals' payroll will reach 102,000 persons. It is interesting to record that the payroll at the sugar mills was estimated in 1958 at ₱33,889,000 and the payroll in sugarcane farms and plantations at ₱51,823,000, bringing the total to ₱85,706,000. Estimating the number of laborers in the field at 170,000 persons, the payroll of ₱51,823,000 would indicate an average gross income of ₱305 for each worker, for a limited period of time during land preparation, planting, cultivation, and harvesting of the crop.

With the same number of dependents as those employed in the sugar mills, the plantation laborers and the members of their households will number 850,000 persons. As a great majority of the field labor force are seasonal workers, most of them have learned to develop other skills and to earn a livelihood elsewhere during the sugar off-season.

The implementation of the Philippine minimum wage law which differs from that in the United States by covering agricultural workers is the largest item of change in the cost of sugar production in the Philippines. Moreover, and of greatest significance, the sugar industry pays more taxes to the Philippine Government than any single industry in the country.

The subject with which I am concerned in behalf of the people of the Philippines is of such great significance that I have felt that the foregoing, although voluminous, should be brought to your attention.

Accept my thanks for your patience and consideration.

Respectfully yours,

JOHN A. O'DONNELL, *General Counsel.*

PHILIPPINES VIEWS ON REPORTED U.S. SUGAR LEGISLATIVE PROPOSALS—REMARKS OF HON. JOSE E. ROMERO, EXECUTIVE SECRETARY-TREASURER, PHILIPPINE SUGAR ASSOCIATION

I am deeply grateful to Mr. Bunde, Mr. Lamborn and the members of this club for their kind invitation to be with you today.

The Philippines has a big stake in the sugar legislation to be considered in the present session of the U.S. Congress. With the plans for your own producers, the beet and the cane producers, the mainland, the Puerto Rican, Hawaiian, and the Virgin Islands producers, your refiners, your plan for proportional payments, etc., we are not concerned nor would it be proper for us to express any views thereon.

However, insofar as sugar purchases are made an instrument of your foreign policy, our government and our industry will make themselves heard. With whatever plans may be proposed as to foreign participation in your sugar market, we are deeply concerned. At present, with Cuba out of the U.S. sugar market, we are your largest foreign supplier of sugar. Also, we are probably the only foreign supplier whose exclusive export outlet is the United States, so that American sugar policy could make or unmake our sugar industry. It is true we have a nominal quota of 25,000 tons in the world free market and an additional optional quota of 20,000 tons, but we have not been filling this quota, and the only time we did fill this quota, it was on a barter basis, because due to import controls in the Philippines the goods that we got in exchange were highly valued and in that way the sales were made possible.

Then again, we do have a special relationship with the United States in trade matters and especially as it concerns sugar. In order to understand the nature of this special relationship, it may be useful to make a brief review of our historical trade ties with this country, with especial reference to sugar.

Even before American occupation, the United States was our principal export market. Over the 10-year period 1880–89 we exported to the United States an average of 200,000 tons, representing 58 percent of our total sugar exports. These exports dwindled in the next decade because of our revolutions, first against Spain, and then against the United States.

For 7 years after the restoration of peace and the establishment of civil government, our trade with the United States was on a nonpreferential basis. However, the U.S. Congress generously granted a rebate of 25 percent of its import duties on Philippine sugar. In 1909 the U.S. Congress which then had exclusive authority to act upon tariff laws for the Philippines approved free trade between the two countries. There was considerable opposition in the Philippines to the establishment of free trade between the two countries. Our leaders realized that this arrangement would foster economic growth in our country, but at the time the people's obsession was for political independence, and it was feared that the Philippines would become so dependent on the United States market that if, later on, trade preferences were withdrawn from an independent Filipino nation, very serious problems of readjustment would arise, making it difficult to establish a stable, independent government. Also the Payne-Aldrich law which established free trade permitted the shipment without limitation of American products to the Philippines but limited Philippine exports of sugar to the United States to 300,000 tons. This was one of those irritants that gave further impetus to the movement for independence.

Let it be said for the American sense of fair play that in 1913 this wrong was righted in the Tariff Act of 1913. Congressman Underwood who coauthored the law, said on that occasion:

"We may leave the limit where it is * * * but we would leave it where it is to the shame of every American citizen. We could not honestly face those dependent people who give us free trade in their markets if we close our doors here * * *. Because we do not want to stand and face that world in such a position as that and say (to the Filipinos) that under our law we command you to open the door, so that American goods can flow into your country, because we have the power to do it, and then turn around and say to them that on the thing they can import, practically, into our country and make a market for, we will close our doors and prevent them from developing their trade—I say that no true-born American citizen who faces the question fairly and squarely and understands the situation will consent to that."

Under the stimulus of free trade there was a great expansion of sugar production in the Philippines and in crop year 1933–34 we produced a record crop of 1,652,500 tons. It was then that the Jones-Costigan Act establishing sugar quotas for off-shore supply areas were established. Sugar production in the Philippines under the new dispensation was reduced to 754,721 tons from the figure I have just cited, representing a reduction of 54 percent. In comparison U.S. beet sugar production was reduced by 29 percent, Puerto Rican production was reduced by 30 percent, Hawaiian by 9 percent, U.S. cane sugar production was increased by 7 percent and Cuban production by 12 percent. The Philippines, therefore, made the greatest sacrifice among sugar suppliers to the U.S. market to make the sugar limitation act possible. At this time we were still a dependency of the United States. Sugarcane fields were burned to reduce production, but of course compensation was paid for this loss, and perhaps other suppliers also had to destroy some part of their crops.

In the Sugar Act of 1937 we were allotted a share of the U.S. market of 15.41 percent. However, at that time the Philippines had achieved commonwealth status and under the trade agreement entered into between the two countries the Philippines' duty-free quota was fixed at 850,000 tons. Any quantity of sugar beyond this amount exported by the Philippines to the United States had to pay full duty. At that time the duty was so high and the price of sugar in the world market so low that the Philippines could fill only its duty-free quota, and the Philippines gave up a total of 659,176 short tons from 1937 to the outbreak of the war in 1941 in this manner. Besides, as a matter of principle, we objected to paying duty on any export to the United States while all U.S. goods entered the Philippines duty free. In the meantime in the International Sugar Council, with the approval, and even encouragement, of the U.S. Government, we renounced any quota in the world free market as long as we had our guaranteed quota in the United States.

Then the war came. The Philippine sugar industry was almost totally destroyed. It took us almost 13 years after the commencement of hostilities to rebuild our industry to a point where we could fill our quota in the U.S. market. Probably because of this and the fact that we had not been filling our duty-paid quota before the war, the new postwar trade agreement between the two countries made the quota of 850,000 tons an absolute quota. This was opposed by the U.S. State Department, itself, which had always been opposed to absolute quotas. We could not share in any increase in the U.S. sugar consumption, and the expansion of the U.S. market. Our share of this market was reduced from 15.41 percent established by the Sugar Act of 1937 to about 10 percent. It took a good deal of campaigning to escape from this straitjacket. Under the revised United States-Philippine Trade Agreement in 1955, the U.S. Congress was finally authorized to increase the basic sugar quota of the Philippines at its discretion. However, not until the Cuban quota was taken away from that country, under the amendments to the act in 1960, were we allotted 15 percent of the Cuban quota.

This year it seems that after 25 years of the operation of the U.S. sugar quota system very important changes are being considered. As far as the foreign suppliers are concerned, the features that will seriously affect them are the announced plans for the global quota system and the recapture of the price preminum paid in the United States.

From where we stand, it is rather difficult to understand why a program which has worked so well for 25 years both for the suppliers and the consumers is to be radically changed. The U.S. sugar program is one of the few farm programs that have really worked. It is true that the United States pays a price preminum on sugar but it is guaranteed an adequate supply at all times at reasonable and well-stabilized prices not subject to violent fluctuations, and sugar is still the cheapest food in this country or anywhere else. One gets more calories for his money in sugar than in practically any other food. It would seem to us that the success of your program was amply demonstrated in the Korean crisis in 1950 and again in the Suez crisis in 1958 when prices in the world free market rose higher than those prevailing in the United States where prices remained stabilized. The quota allotment is not only a right conferred upon the supplier, it also imposes an obligation on the supplier to deliver the goods and in this manner, with adequate supplies guaranteed, stabilization of prices is achieved.

Under the concept of global quotas for the U.S. market we assume that our quota guaranteed by trade agreement between our two countries will not be affected so that this policy is not of particular concern to us. We are, however, deeply concerned about announced plans for recapturing the price premium. With the insignificant exceptions that I have already noted, we export our sugar only to the United States, and therefore our costs of production are geared to the prices paid in this market. Other foreign suppliers sell as much if not more than the amount they sell here to the world free market, and obviously have had to adjust their costs of production accordingly. We even renounced our quota in the world free market with the approval, and even encouragement, of the U.S. Government because we have this guaranteed market. We have to ship our sugar much greater distance than any other supplier. It takes about 45 days to ship sugar from the Philippines to the east coast where we have to market the product. As already noted, the Philippine sugar industry was almost totally destroyed during the war and we could not fill our quota in this market until 8 years ago. The industry had to make heavy capital investments to

rebuild itself, and the future of our sugar industry is very uncertain after the termination of our preferential trade agreement in 1974.

We have heard it said that the price differential between the world free market and the U.S. market thus recaptured may be returned as foreign aid. It would seem to us that experience has demonstrated that governments and their bureaucracies are not best calculated to make the wisest use of this money for the economic advancement of the people. Much more can be done to encourage industry by adequately rewarding the producer for his labors and his investments than by handouts to governments. Statistics have shown that generous as your whole foreign aid program has been aid has been more effective when it has gone directly to encourage expanded production, and, in fact, in these cases, the aid has been only a small percentage of the increased production with its concomitant improvement in the general well-being, and increase of labor opportunities. The developing nations are only now awakening to the opportunities offered by free enterprise and if you withdraw from them what they would consider to be the just reward of their labors and their enterprise, there may well be a slowing down instead of a hastening of the economic development of these areas.

The Philippines is not only the showcase of democracy in southeast Asia, it is also the showcase of the superiority of the system of free enterprise over the Communist and Socialist systems as a means of improving the standards of living of the people. In a statement before the National Conference on International Social and Economic Development on December 1, 1961, Secretary of State Rusk said the following:

"Now, foreign aid is almost a junior partner of our trade policy, in moving toward a growing, expanding, developing world. It would make no sense whatever for us to ask our taxpayers to come up with substantial amounts of money for foreign aid if we and other principal trading nations were to adopt trade policies which would frustrate and undermine the possibilities of development.

"The drop of a few cents in a primary commodity can, for example, in a particular country, wipe out by several times any effect of American aid to that particular country.

"The amount of American aid being applied is a very small fraction, indeed, to the productive systems upon which development must depend. Our contribution is marginal in quantity. We hope that it can be critical in quality. But trading opportunities will determine in fact that practical possibilities of moving into a new decade of development throughout the world."

The sugar industry in one of the mainstays of Philippine economy. Only the coconut industry compares with the sugar industry in importance in our export trade, accounting for about 25 percent of our total exports and our foreign exchange receipts. The industry directly or indirectly accounts for about the same percentage of the revenues collected by our Government. Sugar is produced in the Philippines by 35,000 small planters whose land holdings average about 50 acres. The big sugar hacienda is the exception rather than the rule.

Sugar lands are not owned by the sugar mills as in the case in some countries. Many of these landholdings are not economical units and account in large measure for the high cost of production. If the returns of the sugar farmers were to be thus drastically reduced, this could mean the sudden elimination of the small uneconomical units and their merger into larger plantations. This would not only means a departure from the desirable goal of dividing the land among as great a number of people as possible, but it would also create great social unrest and discontent. This could also mean the withdrawal of the marginal lands from the production of sugar. This may happen eventually, but if the process is not brought about gradually and is brought about suddenly, as would happen by reducing the price to the farmers by one-half, a very serious situation would arise. It so happens that the center of agrarian discontent in the Philippines is where most of these marginal sugar lands are situated.

I notice that your Congress has tentatively approved a foreign aid bill to the extent of nearly $5 billion. The expected collections by the U.S. Government from the recapture of the price premium is so small in comparison, it is hard to understand why a very dangerous experiment has to be conducted with this, so far, successful program.

In the case of the Philippines, if we were to get world prices for our sugar, there would be no reason for us to market our produce in the United States where we have to ship it halfway around the world and where it takes 45 days to get the sugar here. While it is true that we were selling sugar in this market even before we had preferential trade relations, that was at the time when

standards of living in our part of the world were so low that the people there could not even afford to buy this necessary food. When peple do not have enough for everything, they first buy protein foods, bodybuilding foods, like fish and rice, but as their situation improves they also begin buying carbohydrates which is the energy-giving substance. There has been a considerable improvement in the standards of living of the peoples of Asia during the last few decades.

The elimination of this very important item in our trade would mean one less link in the close relations existing between our two countries. There is nothing like mutually beneficial trade to bring two nations together. It is interesting to notice that although we have the closest cultural, historical, and religious ties with the Latin American countries for example, and we also have geographical and racial ties with our neighbors in Asia, our ties with the United States are even closer, largely due to our mutually beneficial trade.

It has also sometimes been said that the plan to recapture the price premium would compel the Philippines to make the necessary adjustments to prepare itself for nonpreferential trade with the United States. The need for such a program of adjustment is understood in my country. I happened to be one of the members of the Philippine panel on the so-called Joint (Filipino-American) Preparatory Committee on Philippine Affairs which precisely had the task of making recommendations toward this end. The recommendations of this Committee were adopted by the U.S. Congress under the so-called Tydings-Koscialski Act of 1938 and accepted by the Philippines. In substance the program there outlined was adopted in the subsequent amendments of our trade agreements after our independence. This program provided for a period of 20 years to make the necessary readjustments. It had originally been planned to bring this readjustment about by gradually increasing duties starting with 5 percent and increasing by 5 percent every year of the rate of the tariff on foreign imports into the United States. When the gradually increasing duties were about to be put into effect, World War II broke out, and after the war, free trade had to be extended for another 8 years because of the need to rebuild the economy of the country and to rehabilitate the sugar industry. The point that I want to underline is that both sides understood that it would take a least 20 years under normal times for the sugar industry of the Philippines to attain a position of nonpreference in this market, and the plan to recapture the price premium would try to realize almost overnight what, after careful study by the experts of both countries, it was decided would require 20 years to achieve.

I hope that very careful consideration will be given to all the ramifications of the problem of changing basic U.S. sugar policy, not only on the people of this country, but on other friendly peoples supplying the basic production to this market. There is certainly much more to this problem than appears on the surface, and we are sure that nothing will be done that will disrupt the national economy of the Philippines, which we are wont to call the showcase of the democratic way of life in Asia, or disturb the very happy relations between our two countries.

The CHAIRMAN. Thank you very much, Mr. O'Donnell. That is a very splendid statement. Are there any questions?

Mr. SHORT. Mr. O'Donnell, how many individual sugar planters are there in the Philippines; that is, individual farmers? This information may be in the brochure.

Mr. O'DONNELL. I would be very happy to answer that. There is in excess of 35,000.

Mr. SHORT. Are these farmers farmers who own their own land?

Mr. O'DONNELL. They are farmers who own their own land. It averages out about 25 acres, as I recall, for the small farmers. This is the size of the acreage that the small individual farmer has, the small farms.

Mr. SHORT. And he might put part of that to sugar?

Mr. O'DONNELL. That is right.

Mr. SHORT. That is all.

Mr. GATHINGS. What is the size of operation across the Philippines—just what is the size of a sugar operation today?

Mr. O'DONNELL. You mean the total acreage that has been planted?

Mr. GATHINGS. What is the average size of acreage that a farmer has?

Mr. O'DONNELL. The average would be about 75 acres.

Mr. GATHINGS. 75 acres. What is the top limit?

Mr. O'DONNELL. I can get those figures for the record. I do not have them offhand with me. I will get those for the record.

Mr. GATHINGS. If I understand your statement, you furnished us about 15 percent?

Mr. O'DONNELL. That is right.

Mr. GATHINGS. At the time that we were not able to obtain our sugar requirements.

Mr. O'DONNELL Yes, but in the Philippines the effort between the millers and the farmers is a cooperative one. Practically none of the mills own any of the farms.

(The following letter was later submitted to the committee:)

PHILIPPINE SUGAR ASSOCIATION,
Washington, D.C., May 25, 1962.

Re Philippine sugar quota: Testimony of John A. O'Donnell.

Miss CHRISTINE GALLAGHER,
Chief Clerk, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR MISS GALLAGHER: During my testimony in the hearings on H.R. 11730, a member of the committee, the Honorable E. C. Gathings, asked me about the size of sugarcane fields in the Philippines. I promised to furnish some information on this subject which I am now accordingly doing.

Most of the farms of the 35,000 sugarcane growers in the Philippines are small, averaging about 75 acres each. About 10 percent of the total land devoted to sugarcane raising consists of units of 500 acres or more. There does not seem to be any legal limit to the size of a sugar plantation, but the large farm is increasingly the exception to the rule.

I asked for permission to file for the record a brochure prepared by the National Federation of Sugarcane Planters of the Philippines which will be ready in a very short time. This document covers in detail all of the statistics which I believe Congressman Gathings and other members of the committee will find interesting and enlightening.

With thanks for your assistance and all good wishes.

Sincerely yours,

JOHN A. O'DONNELL.

Mr. GATHINGS. Thank you.

The CHAIRMAN. Thank you very much, Mr. O'Donnell.

We have with us the former very distinguished chairman of the Committee on Agriculture, and a former colleague of ours, Mr. Hope. We will be glad to hear from you now.

STATEMENT OF CLIFFORD R. HOPE, PRESIDENT, GREAT PLAINS WHEAT, INC., GARDEN CITY, KANS.

Mr. HOPE. Mr. Chairman and members of the committee, I am president of Great Plains Wheat, Inc., a market development organization established and supported by wheat growers and wheat commissions of Colorado, Kansas, Nebraska, North Dakota, and South Dakota. I am happy to have with me at this time representatives of the wheat commissions and growers of four of our five member States. With your permission, Mr. Chairman, I would like to present them and to state that they are here in support of the statement which I am about to make.

These gentlemen are: J. W. C. Davis of Bennett, Colo., representative of that State on the board of directors of Great Plains Wheat; W. R. Dotson, Wiley, Colo., member of the Colorado Wheat Administrative Committee; R. L. Patterson, Oxford, Kans., chairman of the Kansas Wheat Commission; Richard Lewis, Arapahoe, Nebr., chairman of the Nebraska Wheat Commission and chairman of the board of directors of Great Plains Wheat, and Mr. Arthur Knorr of Sawyer, N. Dak., chairman of the North Dakota Wheat Commission. We have no one present from South Dakota, but at this time I would like to read into the record a telegram from Paul Guiser of Martin, S. Dak., chairman of the South Dakota Wheat Commission.

South Dakota State Wheat Commission supports position of Great Plains Wheat, Inc., with respect to proposed sugar-wheat transaction with Brazil and other countries which are willing to purchase wheat with dollar exchange from sugar export to United States.

That is signed by Paul Guiser, chairman, South Dakota Wheat Commission, Martin, S. Dak.

The CHAIRMAN. We are very glad to have that and delighted to have you gentlemen with us along with Mr. Hope. You may insert that communication in the record.

(The telegram follows:)

MARTIN, S. DAK., *May 20, 1962.*

CLIFFORD R. HOPE,
President, Great Plains Wheat, Inc.,
Washington D.C.

South Dakota State Wheat Commission supports position of Great Plains Wheat, Inc., with respect to proposed sugar-wheat transaction with Brazil and other countries which are willing to purchase wheat with dollar exchange from sugar export to United States.

PAUL GUISER,
Chairman South Dakota Wheat Commission, Martin, S. Dak.

Mr. HOPE. It seems like old times to me to be sitting in this room in connection with the consideration of sugar legislation. I was a member of this committee at the time of the formulation and passage of the original Jones-Costigan Act in 1934 and participated in the consideration of a number of extensions of the law prior to my retirement from Congress on January 3, 1957. At this tiem it is a pleasure to be here in a different capacity as a witness before the distinguished members of this committee, many of whom were my colleagues and close friends for many years. I see many here, also, who have become members of the committee since my departure, most of whom I have had the pleasure and honor of meeting and knowing.

This committee, certainly one of the most important in the Congress, has dealt with tremendous problems during the last 30 years. Few of them have presented more inherent difficulties than sugar legislation, and yet I think I am justified in saying that there has probably been no commodity legislation considered by this committee over the years which has been more successful in accomplishing the purpose for which it was written. This is quite remarkable when it is considered that there are vast competitive and conflicting factors involved both from the standpoint of the world and our own country. Certainly the record of sugar legislation and its operation through changing conditions for 28 years is a shining example of what can be done through industry cooperation in the enactment of wise legislation.

My presentation to you today will cover a very limited area as far as the general problems of sugar are concerned, but I think it is an important area and one which is of interest to this committee, not only from the standpoint of sugar but from that of finding markets for agricultural commodities now in surplus.

The taking over of Cuba by the Communists has had many far-reaching effects. Not the least of these has been the loss of one of the largest single markets for American agricultural commodities, including some which are now in serious surplus situations. Thus, it would seem both logical and expedient that in looking for new foreign sources for sugar, consideration should be given to those producing countries which can use and are willing to buy some of our agricultural overabundance.

It is with this thought in mind that Great Plains Wheat has for the past 2 years been working on the idea of devising a procedure, legislative or otherwise, which would enable a sugar-producing nation to receive an allocation of sugar with the understanding that the dollar credits so generated would be used for the purchase of surplus agricultural commodities in this country.

Thanks to this committee, under the leadership of its distinguished chairman and other members, and to the Finance Committee in the Senate, the extension of the Sugar Act on March 31, 1961, contained a provision stating that in making allocations under the act, "* * * special consideration be given to countries in the Western Hemisphere and those countries purchasing U.S. agricultural commodities." But the committee did not stop there. On more than one occasion, it expressed itself vigorously on the subject. In particular, it adopted a committee resolution on September 7, 1961, which reads as follows:

> That the President be requested to instruct those in charge of administering the program that it is the clear intent of Congress that in making any such purchases of sugar for the calendar year 1962, clear preference is to be given those countries which offer to buy a reasonable quantity of U.S. agricultural commodities in return for the purchase of their sugar.

On February 12, 1962, a press release from the Department of Agriculture announced that—

> Subject to market conditions and other factors, some importations of sugar would be authorized from countries agreeing to purchase additional commodities—

and that—

> Such authorizations will be in addition to any other quota a country may have under the U.S. Sugar Act, and are authorized by the provisions of the Sugar Act of 1948, as amended on March 30, 1961, Public Law 87–15.

Since then, pursuant to the leigslation and in accord with the tenor and intent of the committee resolution of September 7, 1961, allocations of sugar quotas for 1962 have been made to a number of countries on the basis of agreements by such countries to purchase U.S. agricultural commodities. These allocations are not large, but I mention them particularly to indicate that this is a practical method for handling matters, and that it has been so accepted by the executive agencies of the Government.

The countries involved, the amount of sugar allocated, and the agricultural commodities agreed to be purchased are as follows: Brazil, 50,000 short tons of sugar and an agreement to purchase wheat; In-

dia, 50,000 short tons and an agreement to purchase cotton; Republic of China (Formosa), 29,000 short tons, cotton and tobacco; Fiji Islands, 5,000 short tons, rice and flour; Ireland, 5,000 short tons, corn and grain sorghum; El Salvador, 5,000 short tons, wheat and yellow corn; Colombia, 5,000 short tons and wheat; Guatemala, 5,000 short tons, item to be purchased—yellow corn. The total allocations amount to 154,000 short tons.

It seems to me that deals like this make sense. They not only tend to compensate for our lost agricultural outlets in Cuba, but if used extensively, open up important new dollar markets for agricultural commodities in many parts of the world. They contribute also to the stability of the developing countries by giving them assurances of more stable food supplies for their increasing population and an outlet for one of their principal surplus commodities. It also constitutes a foundation for future commerce in the normal channels of trade and shifts a part of our aid program to a trade program.

I am disappointed that the pending bill, H.R. 11730, does not contain language making possible sugar-agricultural commodity transactions as provided by the 1961 extension to which I have made reference, and on behalf of Great Plains Wheat desire to recommend that a similar or an even stronger provision be included in this measure.

In addition, the organization which I represent believes that even more can be accomplished in trade promotion and development if provisions are included in the bill which would provide allocations of sugar for the full period covered by the bill to countries which would agree to purchase U.S. agricultural commodities. This, of course, would require amendment of the pending bill to provide for specific allotments to sugar-producing countries for the full 5-year period rather than the global allotment as provided in the bill.

As an illustration of the possibilities both for the United States and foreign sugar-producing countries, I would like to bring to your attention the situation in Brazil. During the past 2 years, Great Plains Wheat has conducted extensive market development studies and activities in that country. Early in the course of this activity, it appeared that sugar-wheat transactions offered possibilities for both countries.

Brazil is one of the world's largest sugar producers and in a position to expand its output if market outlets can be secured. It is also one of the world's greatest potential markets for wheat. As is well known, the population of Brazil is approximately half of that of South America and is increasing at an extremely rapid rate. As to the consumption of wheat, Brazil has a very low per capita consumption, approximately 32 kilos in 1960, the latest year for which I have figures. This compares with 74 kilos in the United States and much higher figures in such countries as Argentina and Chile where supplies are ample. In some areas, particularly the poverty-stricken northeastern part of the country, the consumption is about 10 kilos per capita. As a matter of fact, Brazil's per capita consumption in 1960 was less than in 1953 and declined steadily from 1955 to 1960. The same thing is true of total consumption.

In the main, this has been due to a smaller supply of wheat. Domestic production, never a too important factor, has declined. Over

the years, Argentina has been the principal supplier but has fallen down on its commitments during the past 2 years and has now suspended exports for this year. Our country has filled the gap to some extent with Public Law 480 shipments which have increased markedly. Brazil also has a bilateral agreement with Russia calling for imports at the rate of 200,000 metric tons through 1964, but this is a very small part of even the present low consumption.

The national target for the past few years has been a supply of 2,400,000 metric tons, but this has not been met in recent years. This, of course, is low as indicated by per capita consumption. Careful studies indicate that under conditions of free purchases, Brazil would consume 3 million metric tons in 1962–63 with annual increases leading up to a figure of 4 million metric tons by 1970.

While Public Law 480 assistance helps, it is not the whole answer because Brazil, like other countries, does not know when such supplies may be discontinued or curtailed. It cannot afford to expand imports even under 480 unless there is a cushion somewhere to fall back on. The answer lies in more trade, and with our need for sugar and Brazil's need for wheat, and with ample supplies of each in the respective producing countries, it is not surprising that wheat producers in this country and sugar producers in Brazil have been attempting to work out a practical solution of the matter.

Over the past several months, conferences have been held between representatives of the Brazilian Sugar and Alcohol Institute and representatives of Great Plains Wheat. Government officials in both countries have known of these conferences and have been kept informed of what was being discussed.

The principal spokesman for the Brazilian Sugar and Alcohol Institute has been Ambassador Edmund Barbosa da Silva, president of that organization. Lester L. Mort, until recently director of the Washington office of Great Plains Wheat, has represented our organization. Out of their conferences came an eight-page document which contains much pertinent information with respect to the wheat situation in Brazil. Page 8 contains a formula which in general terms outlines the conclusions and agreements reached between Ambassador da Silva and Mr. Mort. I would like to ask unanimous consent at this time to submit this document for the record as a part of my statement. I believe this document is at your desks at the present time.

The CHAIRMAN. Without objection, it will be inserted in the record at this point.

(The document entitled, "Wheat-Sugar Memorandum for Brazil" follows:)

WHEAT-SUGAR MEMORANDUM FOR BRAZIL

The development of the subject memorandum will be covered under three parts as follows:

I. Reasonable target for Brazil.
II. Sources of supply.
III. Relationship of the proposed program to U.S. sugar quotas.

I. REASONABLE TARGET FOR BRAZIL

During the decade 1940–50, consumption of wheat in Brazil averaged less than 1,500,000 metric tons. During the 10 years, 1950–60, consumption was increased approximately 1 million tons. This increase was made possible by two factors:

1. Production of wheat was increased on the average of about 300,000 tons in the 1950's, and
2. The beginning of the Public Law 480 program provided the basis for additional consumption of wheat.

In the past few years the national target has been based on 2,400,000 metric tons and wheat is pro rated to the various flour mills in Brazil on a historical basis on this quota. There is given below a record of wheat for food in Brazil, 1952–60:

Year	Local	Stocks and imported	Total	Per capita consumption
	Thousand metric tons	*Thousand metric tons*	*Thousand metric tons*	*Kilos*
1952	270	1,216	1,486	27.3
1953	290	1,859	2,149	38.5
1954	490	1,726	2,216	38.8
1955	440	2,085	2,525	43.2
1956	600	1,798	2,398	40.1
1957	745	1,485	2,230	36.4
1958	600	1,435	2,035	32.4
1959	250	1,800	2,050	31.9
1960	250	1,850	2,100	31.8

Source: Foreign Agricultural Service, USDA.

The table below illustrates sources from which Brazil obtained its requirements of wheat:

[Thousand metric tons]

	Total Brazil imports	Principal sources				
		Argentina	United States	Uruguay	Russia	Other
5-year average 1954–58	1,500	900	345	141	----	124
1958	1,506	1,005	407	93	----	----
1959	1,820	1,218	516	----	----	83
1960	2,033	1,098	728	----	197	10
1961	1,928	121	1,614	----	193	----

Source: Foreign Agricultural Service, USDA.

It will be noted in the above table that Argentina supplied between 900,000 to around 1 million tons and was the principal supplier. Argentina has not been able to supply the usual amount in 1961 and are only scheduled to supply 700,000 tons in 1962 with 1 million tons each in 1963 and 1964.

Exports from the United States have increased in order to maintain Brazilian consumption as an offset to the failure of Brazilian producers to maintain production and a drop in imports from Argentina. In fact, production in 1962 of wheat for food is not expected to reach 100,000 tons.

For at least the next few years Brazil must rely principally on imported wheat to satisfy its requirements for this basic food.

There is an apparent decline in Brazil's per capita consumption in the past few years. Total apparent consumption for the 4 years 1958 through 1961 has remained unchanged at 2,100,000 metric tons. This occurred during a period of high rate of industrial development, population growth, and rapid urbanization trend, with the result that there exists a shortage of wheat. While the figures are subject to some question due to the inadequacy of accurate information on locally produced wheat for food in Brazil, it is evident that production has declined resulting in a lower consumption of wheat. Ordinarily, with per capita consumption of wheat at the low level of around 31 kilos per capita, both of the

aforementioned factors would result in increased demand for commercial bakery products. Furthermore, evidence based on studies made show that there is a great need to improve the standard diet of the Brazilian population, particularly in the Northeast area where the per capita consumption is held to around 10 kilos.

For purposes of comparison there is appended to this report a table showing the consumption rate of wheat per capita in certain areas of the world, including South America. Brazil's consumption level of 31 kilos compares with the U.S. rate of about 74 kilos. If, as a target figure, consumption of wheat was freed from restrictions, consumption could easily double over a 5- to 6-year period and would still be less than two-thirds of the U.S. rate and about one-half of the rate of consumption in Argentina, Chile, and Uruguay.

The main deterrent to permitting a higher level target for wheat is the shortage of foreign exchange to warrant the higher level. In fact, with Brazil primarily dependent now upon imported wheat there is a serious question as to how high the level may be permitted should the U.S. supplies through the Public Law 480 program be discontinued or curtailed.

Upon conditions of free purchases it has been estimated that Brazil could, in the few years ahead, easily consume 4 million tons of wheat. In a study published by the Foreign Agricultural Service, U.S. Department of Agriculture, FAS M–60, it was concluded that "at the current rate of the population growth, requirements may total 4 million metric tons by 1970. There is little likelihood of production increasing enough by that time to take care of more than 30 to 35 percent of the needs. The balance will have to be imported."

In presenting a reasonable target, two principles must be recognized:

(1) That due to a decreasing local production imports have been higher, and to further increase imports would require some time adjustment in order to permit further expansion of facilities to receive the wheat at ports.

(2) Higher wheat imports will displace some existing suppliers of lower grade cereals and a gradual transition will be more reasonable, both economically and politically.

Taking all of the above into account and recognizing the existing shortage of wheat for bread and bakery products that exist, a reasonable beginning annual rate for 1962–63 is set at 3 million tons. This is approximately 900,000 tons higher than 1961 supplies.

With population growth of around 3 percent and allowing an additional increase of 5 percent to account for two factors: (1) A gradual increase in per capita wheat consumption, and (2) an additional amount associated with Brazil's industrial and economic growth, an annual rate, therefore, of about 8 percent, or about 250,000 tons a year is projected. A further additional 2 percent per year is assumed, bringing the total annual net increase up to 10 percent in order to provide for gradual acceleration above the rate that would have applied if complete free market conditions could have been permitted over the past few years. To put this target figure of 10 percent another way, the additional rate of 2 percent per year is designed to make the transition from the lower rate now existing to a gradual one over the next 5 years. Therefore, beginning in 1963, a 3,050,000-metric-ton average consumption is used as the base from which an annual increase of 10 percent per year is projected over the next 4 years.

During the course of this period an additional amount would be needed for stocks which at the present time are nonexistent. One cannot determine the exact time that these stocks can be accumulated since industrial facilities will be required. However, if a program of higher consumption is to be adopted it is only prudent that some additional facilities for stocks will have to be provided some time within the next 5 years. One could conclude that a 60-day supply should be added as stocks, or approximately 600,000 tons.

For the purpose of developing a target figure one would have to start the acceleration in the second half of 1962 inasmuch as wheat supplies for the first half could not accommodate a higher rate at this time than the existing one of 2,400,000 tons.

As a target for 1962, approximately 2,700,000 is assumed. This would be rationalized as follows:

First half 1962 (annual rate 2,400,000)	1,200,000
Second half 1962 (annual rate 3,050,000)	1,525,000
Total	2,725,000

Average annual rate 1962, approximately 2,700,000. The projections for the years 1963, 1964, and 1965 will use the 3,050,000 tons as a starting level and will be increased at an annual rate of about 10 percent until the higher level is reached in 1966. The results are summarized as follows:

	Target
1962	2, 700, 000
1963:	
1962 consumption rate	3, 050, 000
10 percent additional	300, 000
Consumption in 1963	3, 350, 000
Reserve stocks	150, 000
Total	3, 500, 000
1964:	
1963 consumption rate	3, 350, 000
10 percent additional	330, 000
Consumption in 1964	3, 680, 000
Reserve stocks	270, 000
Total	3, 950, 000
1965:	
1964 consumption rate	3, 680, 000
10 percent additional	360, 000
Consumption in 1965	4, 040, 000
Reserve stocks	200, 000
Total	4, 240, 000
1966:	
1965 consumption rate	4, 040, 000
10 percent additional	400, 000
Consumption in 1966	4, 440, 000
Grand total	18, 830, 000

Summarizing the above, we have the following:

	Consumption	Reserve stocks	Total wheat requirement
1962	2, 700, 000		2, 700, 000
1963	3, 350, 000	150, 000	3, 500, 000
1964	3, 680, 000	270, 000	3, 950, 000
1965	4, 040, 000	200, 000	4, 240, 000
1966	4, 440, 000		4, 440, 000

Total added for reserve stocks 620,000, or about a 60-day supply.

II. SOURCE OF SUPPLY

Currently, Brazil has commitments with Argentina under a 3-year agreement and with the U.S.S.R. on a bilateral basis. The third source of supply is from local production and it is necessary to allow some time for the Brazilian wheat-growers to develop additional production of their own. There is given below projected sources to account for the above three categories.

Table A

[Thousand metric tons]

Calendar year	Local production	Argentina (by agreement)	U.S.S.R. (by agreement)	Total from these sources
1962	100	700	200	1,000
1963	150	1,000	200	1,350
1964	200	1,000	200	1,400
1965	300	1,200	300	1,800
1966	400	1,200	300	1,900

The anticipated supplies shown in the above table when substracted from the reasonable target previously given will show the amount that would be necessary to be imported over the next 5 years. This is illustrated as follows:

Table B

[Thousand metric tons]

Calendar year	Reasonable target	Available from table A	Required from United States and other sources [1]
1962	2,700	1,000	1,700
1963	3,500	1,350	2,150
1964	3,950	1,400	2,550
1965	4,240	1,800	2,440
1966	4,440	1,900	2,540
Total	18,830	7,400	11,380

[1] Supplies from other non-Latin-American sources have been neglible in the last 4 years and have averaged less than 40,000 tons during the past 10 years.

The above table indicates that wheat requirements from the United States will reach a level of about 2,500,000 tons annually in order to support a program such as outlined above. On the basis of cost to Brazil of around $70 per metric ton, this is equivalent to a total annual import value of approximately $175 million.

III. RELATIONSHIP OF THE PROPOSED PROGRAM TO U.S. SUGAR QUOTAS

As previously shown with the decline of available supplies from Argentina and the reduction in production of wheat in Brazil in 1961, the U.S. share reached 1,614,000 tons, or over 80 percent of Brazilian 1961 imports. This was the highest rate on record. U.S. imports under title I of Public Law 480 accounted for almost two-thirds of Brazil's 1961 consumption. U.S. shipments to Brazil over the past 3 years are given below:

[Thousand metric tons]

	Title I	Barter	Section 416	Total programs	Others, cash	Total
1958-59	395.7	26.9	----------	422.6	52.9	475.5
1959-60	808.1	85.5	1.2	894.8	43.0	937.8
1960-61	844.1	101.2	4.4	949.7	120.1	1,069.8
3-year average	682.6	41.2	1.8	755.7	72.0	827.7

The suppliers for 1962 are as follows:	*Metric tons*
Public Law 480 (4th agreement, in concluding stage of negotiations)	800,000
Argentina (multiyear agreement provides for 1,000,000 tons annually; in 1962 only 700,000 tons due to unavailability of supplies)	700,000
Usual marketing requirement of Public Law 480 agreement	300,000
U.S.S.R.	200,000
Increase to be requested of 4th Public Law 480 agreement	300,000
Domestic production	100,000
Current target	2,400,000

Source: Brazil's recent offer of nonquota sugar.

On January 3, 1962, as a result of discussions between the Brazilian officials and officials of the Great Plains wheat organization, a memorandum was prepared outlining the interelationship between the problems of sugar sales from Brazil to the United States and wheat exports from the United States to Brazil. Considering all factors it would appear that a combination of all three alternatives is desirable.

There is a risk on Brazil's part in permitting expansion of consumption that would require annualy close to 2,500,000 tons of wheat from the United States without having some assurance that foreign exchange earnings can be generated to justify the program. For example, the target program proposed develops following additionality from the apparent consumption of wheat for foods in Brazil in 1961 of 2,100,000 tons.

[Thousand metric tons]

	Target	4-year average use (1958–61)	Additionality
1962	2,700	2,100	600
1963	3,500	2,100	1,400
1964	3,950	2,100	1,850
1965	4,240	2,100	2,140
1966	4,440	2,100	2,340
Total			8,330

There follows then the question of relating the sugar quota potential to the above program to determine the maximum extent to which such a program can be accommodated by a reasonable combination of cash purchases with a continuation of Public Law 480 program purchases under title I and, if possible, title IV.

SUGAR-WHEAT FORMULA

For the purpose of arriving at a formula to be agreed upon between the United States wheat growers and Brazilian authorities responsible for the wheat program, the following factors and assumptions are suggested for mutual agreement.

1. A figure of $70,000 per metric ton of wheat c.i.f. Brazil to be used as the approximate cost to Brazil in this period.

2. The f.o.b. value of sugar per short ton, Brazilian port, received from United States sugar sales, $105.

3. Brazil agrees to use at least 66.7 percent (70/100) of sugar dollars earned on basic sugar quotas to buy United States wheat each year during the period of the program, 1962–66.

4. During the 5 year period of the program, Brazil's purchases of United States wheat other than those mentioned in paragraph 3 above, would be made as follows:

(*a*) Under title I, for delivery in 1962–66, conditional to the availability of title I program beyond the present termination date.

(*b*) Under title IV, for delivery in 1963–64, in the amount necessary to provide sufficient funds to finance the expansion of storage facilities necessary to increase reserve stocks equivalent to a 60-day supply.

(*c*) Under title IV, or in cash, to the extent of the dollars earned from sales of sugar to the United States, to fill out the program of purchases in the United States, in the event that title I availability is discontinued.

5. It is understood that adjustments to the program will be made according to—

(*a*) Extension and amendment of the Sugar Act by June 30, 1962, and the amount and/or the nature of the sugar quotas given to Brazil.

(*b*) Changes in Public Law 480 and the availability of wheat to Brazil under the different titles of that law.

(*c*) The actual experience in Brazil regarding the rate of increase in wheat consumption under conditions of free availability of wheat.

(*d*) In the event of shortfalls from other sources of supply and taking into account 5(c) above, Brazil agrees to give the United States at least equal opportunity in additional wheat purchases that may become necessary.

6. It is understood that if the provisions of this memo are approved by the Brazilian Government, a proposal for a 5-year program of wheat purchases in the United States, along the lines of this memo and subject only to the allocation to Brazil of a sugar quota will be presented to the proper United States agencies.

Table C below illustrates how the suggested program may be implemented:

Table C

[Thousand metric tons]

Calendar year	Total required from United States under assumed targets (table B)	Proposed from title I and title IV	Wheat for cash	
			By formula	Usual purchases [1]
1962	1,700	1,100	300	300
1963	2,150	1,500	500	150
1964	2,550	1,500	900	150
1965	2,440	1,300	990	150
1966	2,540	1,200	1,190	150
Total	11,380	6,600	3,880	900
5-year average	2,276	1,320	776	180

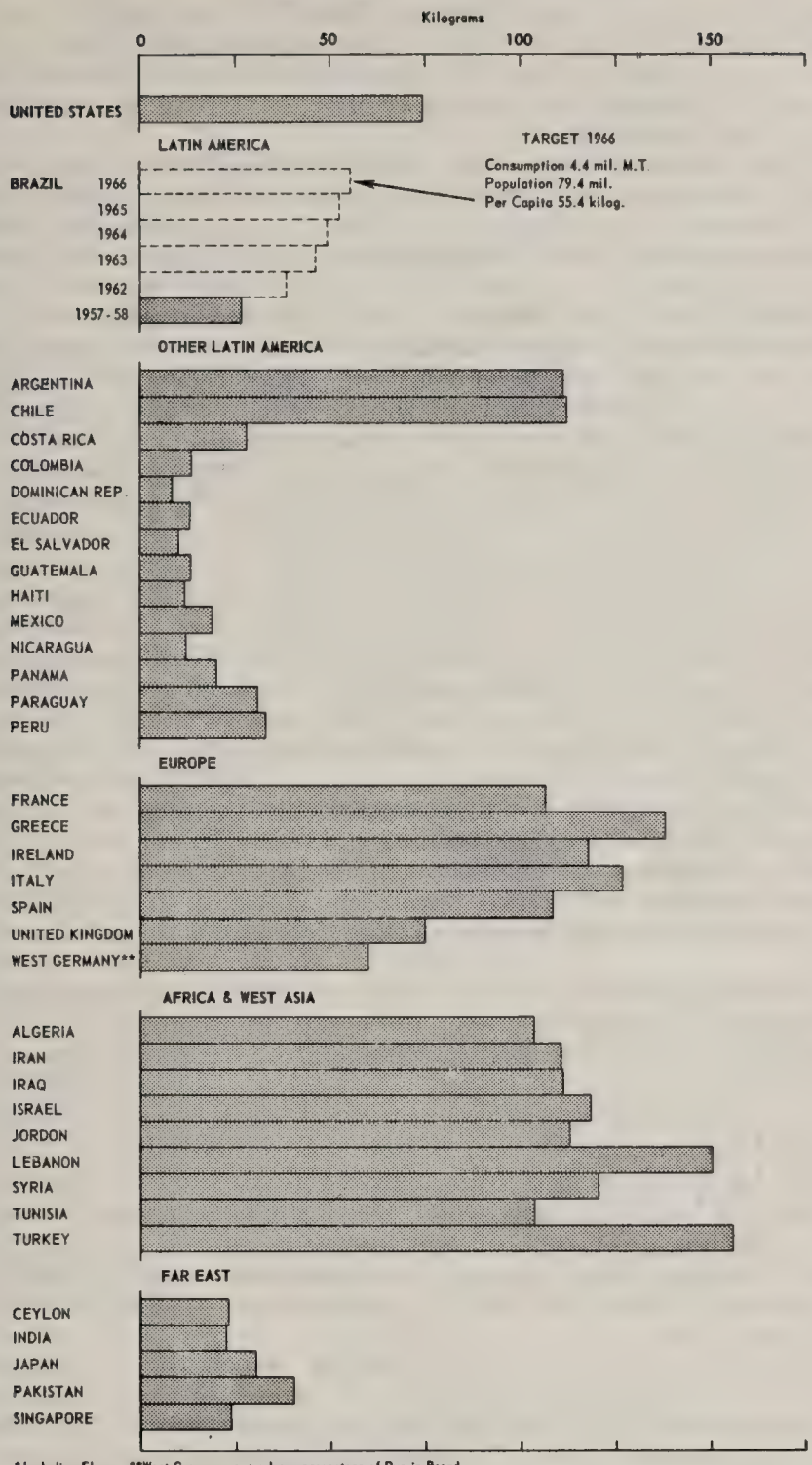
[1] The amount of 300,000 represents an increase above the 130,000 required in the previous program. Since this is an accelerated program the amount of 150,000 tons appears adequate.

Over the 5 years, 1962–66, the 11,380,000 tons of wheat at $70 per metric ton is equivalent to $796,600,000. The 5-year average is $159,320,000.

Wheat for cash from the United States totals over the 5-year period 4,780,000 metric tons which is equivalent to $334,600,000. The average annual amount over the 5-year period is $67,920,000. The annual amounts start at $42 million in 1962 and increase to a figure of $88 million in 1966. The latter figure in terms of sugar is equivalent to 840,000 short tons.

At the end of the program, or in 1967, 1,200,000 metric tons of wheat would be required, or $84 million of exchange would be needed to replace Public Law 480 programs. This would be the equivalent of 800,000 additional short tons of U.S. sugar quota. In other words, at the end of program, assuming Brazil could go on a cash basis against sugar sales, the program would theoretically justify a sugar quota exceeding 1.5 million short tons by 1965.

Wheat*—Per Capita Consumption 1957-58



*Including Flour **West Germany uses a large percentage of Rye in Bread.

SOURCE: Foreign Agricultural Service, U.S. Department of Agriculture

Mr. HOPE. Undoubtedly there are many other sugar-producing countries which are comparable to Brazil in the respect that they are willing and able to purchase agricultural commodities from this country providing they can build up dollar balances from the export of sugar. Doubtless the committee will want to give consideration to such cases as may exist.

We had expected before this time to receive assurances that the Brazilian Government looked with favor on the proposals which I have discussed (and which are included in the document which I have just requested to be made a part of my statement) and would be prepared to make a proposal for a sugar-wheat transaction over a period of 5 years, providing that this legislation is passed in a form which would permit sugar allocations for that period. Such assurances have not yet been received, but I have been told they are on their way. I would like to have the consent of the committee to file them as a part of this statement when they are received.

Mr. Chairman, I consider the Sugar Act of 1934 a very wise piece of legislation. It has been extended a number of times and has operated satisfactorily and successfully for 28 years through war and peace, in prosperious times and in depressions. One reason for this is that it has been flexible enough to apply to changing situations.

The greatest change which has occurred has been the emergence of the Castro regime in Cuba. That has called for drastic measures, but it has been possible to take them without impairing the general purposes of the act. A provision in this bill permitting a definite allotment for the life of the act to countries like Brazil, which are willing to take up the slack in American agricultural exports left by the defection of Cuba, would be in full harmony with the original purpose of the act and would strengthen both us and the recipient country receiving such an allotment. The extent of the benefits received in terms of economic stability and market development would, in my opinion, depend materially on the length of time for which the allotment was made.

In conclusion, Mr. Chairman, I want to thank you and the members of this great committee for your understanding consideration of our problems in the past and for the beneficial provisions with respect to transactions involving sugar and U.S. agricultural commodities contained in the 1961 bill. We appreciate, also, the way in which the committee followed up that legislation. And finally let me thank you for your kind attention to my remarks and for the privilege of associating myself again, if only briefly, with the finest group of people it has ever been my privilege to know and work with.

The CHAIRMAN. Mr. Hope, we thank you very much for your splendid statement. I am sure that it is appreciated by all of the members of this committee.

Since you were here on this committee when the original sugar legislation was being considered, and when the bill was finally drafted and enacted into law, I want to ask you this question, what effect do you think this global quota proposal and the recapture premium proposal would have on the operation of the program that has operated so well for so long?

Mr. HOPE. It would be quite a departure from the original form and purpose of the act. I realize that the communization of Cuba has

changed circumstances somewhat, but I think that as far as possible, Congress should set the pattern of the allocations to the various sugar-producing countries. I believe the committee should proceed with caution in dealing with the imposition of a recapture provision. As a matter of general policy the greatest and most efficient relief which can come to the developing countries is higher prices for raw materials because that is the only opportunity in most cases for them to secure foreign exchange.

The CHAIRMAN. Well, if I understand it you feel that it would endanger the sugar program?

Mr. HOPE. I think that it would. I think that a program that has worked as well as this program over the years should not be extensively changed in any respect and should be allowed to continue as far as possible in the form in which it has been so successful.

The CHAIRMAN. Thank you very much. Are there any questions?

Mr. HOEVEN. May I say, Mr. Hope, how pleased we are to see you in this committee room once again. It seems like old times. You have made a splendid statement.

I am particularly interested in your reference to the negotiations with Brazil and the resolution adopted by this committee in 1961. In my judgment, we took a step in the right direction, but, unfortunately, it seems that the State Department has the overruling power. Not so long ago a representative of the State Department, appearing before one of our subcommittees frankly said that he was not a bit interested in what Congress intended as far as our arrangements with Brazil were concerned.

How are we going to overcome that kind of a handicap, do you know?

Mr. HOPE. One way, of course, would be to provide for definite allotments in the legislation, instead of a global allotment as is proposed by this bill. Or if that is not possible, to establish guidelines which are so clear they cannot be disregarded.

I think that the committee, as I have already indicated, did an excellent job in following up on the provision that was contained in the 1961 bill. That got results, although, perhaps, in a smaller share than had been desired.

It seems to me that the inclusion of that provision or, a stronger one would be one way of doing what I understand you would like to see done. In other words, I think that the bill should be made as definite and certain as possible in this regard without leaving too much flexibility to the executive agency.

Mr. HOEVEN. Something should be done to compel the State Department to carry out the specific intent of the Congress in that regard. We labor under a very serious handicap.

Thank you.

The CHAIRMAN. Mr. Poage?

Mr. POAGE. Mr. Hope, I too, want to express my appreciation for seeing you back in the committee room. This committee always welcomes you back. We are delighted to have you come back with us. We are particularly happy to have your statement in regard to this vexing problem of sugar distribution.

I think you have made an excellent statement. And I find myself in general accord with the statements you have made.

I would like to ask you as to the advisability of making a long-term commitment. I realize by long-term commitments you may mean 5 years, as much as the term of the bill for this sugar. There will be 3,100,000 tons, something of that order, that was previously allocated to Cuba. Much as we would like to, I think all of us realize that we cannot just grab those 3 million tons of sugar and allocate them permanently to other sources and ever hope to restore free government in Cuba. We must keep, at least, a substantial portion of those 3 million tons available to return to Cuba, in the event that there is a return to a democratic government in Cuba.

I assume that is your view, too, is it not?

Mr. HOPE. Yes, sir; I would go along with my friend on that point. I think it is up to the committee after considering all the circumstances. I would hope that the committee would make definite allocations for a definite period of a part of the allotment where it could be worked out on the basis of sugar-agricultural commodity deals of one kind or another, but that would not necessarily need to use all of the allotment.

I think it is up to the committee to make that decision.

Mr. POAGE. I would, certainly, agree to some of that. In fact, the maximum part of it I would say should be permanently allocated to other people. Back in the days when we discussed this before—before any upset had occurred in Cuba with Mr. Castro—I was one of those who felt that we should reduce the size of the Cuban quota—back in those days—and I still feel that we should reduce the permanent quota to Cuba, but we must retain a substantial level or amount of sugar that can be returned to Cuba if one day they reform their ways of government.

Mr. HOPE. Yes, I would not disagree with the gentleman at all on that point.

Mr. POAGE. And from that standpoint it seems to me that it might be dangerous if we were to allocate all of this quota or the 3 million tons for a 5-year period. I was not sure whether I understood that is what you were recommending to Congress.

Mr. HOPE. I think that my statement was possibly somewhat vague on that point, but that was because I felt decisions on that matter must necessarily be made by the committee in light of all the circumstances.

Mr. POAGE. After having made that kind of determination—and let us just assume—and I do not know that this would be the figure—but let us assume that we were going to retain 2 million tons for Cuba and allocate 1,100,000 tons permanently to somebody else— the 2 million tons, it would seem to me, should be allocated on a temporary basis, rather than on any permanent basis for, at least, two good reasons: I think that it would be of no value to retain it for Cuba if we were committed for a period of 5 years, but then I think from the standpoint of recipient countries we probably can deal with them better on that allocation if we do not make it permanent—if we make it very plain that this is a year-to-year proposition, an allocation that you cannot rely upon permanently—that you cannot base your future economic growth on this kind of thing, because I fear that we will get into deep trouble with some of these countries if we were to give them to understand that they can sell to the United States at a premium

price substantially a larger amount of sugar than we will be able to take, 3 or 4 years from now. But if we can allocate to them in return for specific agreements to take a certain amount of our wheat, of our cotton, of our foodstuffs—if we can make specific agreements covering merely annual operations, it seems to me that we are taking a reasonable course. Do you see any objection to that?

Mr. HOPE. I think that there is a great deal of merit——

Mr. POAGE. Do you see any merit in that?

Mr. HOPE. I think that there is a great deal of merit to that. I think if the committee will put a provision in the bill similar to, or a little stronger than the one in the 1961 bill on that point, that will take care of a great many situations. I hope that the committee will put such a provision in the bill.

Mr. POAGE. And if we are certain that all of this quota which we might call a temporary quota, at whatever figure it is fixed, whether fixed at 2 million or some other figure—whatever that figure is—it would, certainly, not obviate its return and keep away from committing ourselves to giving a share of the American market in perpetuity, because we have only committed ourselves to give them a share of the American market in return for specific arrangements to buy our goods which terminate when the contract is fulfilled. It seems to me that is the basis of what you are driving at—the very suggestion that you are making here is that we should make specific trades and that is our best protection against the building up of false hopes in these countries and then having substantial economic chaos when we cease to buy from them—if we require, at least, all of that on a temporary basis to be allocated only in return for specific agreements—if we do that, it seems to me that we are in a much stronger position than if we were just to allocate it and say we do so in the hope that we can get something from you so that you will buy from us.

Mr. HOPE. I do not know how much it may be possible to allocate on those terms, and the committee will have more information on that, no doubt. I would certainly want to trust the judgment, the discretion, and the commonsense of the committee as to how that should be handled. In general, I go along with the gentleman and I appreciate the fact that he has developed this aspect of the question.

Mr. POAGE. Thank you.

The CHAIRMAN. Are there any further questions?

Mr. BREEDING. Mr. Hope, I want to join with my colleagues on the committee and congratulate you on your statement this morning and say I think you have done a wonderful job.

And, also, for the benefit of the members of the committee who are new and have not been here long, I want to point out that you served in my district as a Member of Congress for some 30 years, and certainly all of my people still consider you as a great leader of agriculture as they did at that time. And I want to tell you personally that the shoes you left for me to fill are large ones, and I found it out soon.

I want to ask you one question, Mr. Hope. In regard to your statement here when you talked about Brazil and the agreements you would like to see placed in this legislation similar to 1961, has there been any suggestion, or do you know of any remarks that have been made by the people of Brazil, if we buy sugar from them how much of that money they would be willing to use to buy surplus agricultural commodities from the United States?

Mr. HOPE. I am not prepared to make a positive statement on that, but a representative from the Brazil Sugar & Alcohol Institute, Mr. Nemir, will make a statement at the hearing which I think will bring out that point.

I am not in the position and don't want to be in the position of speaking for Brazil on the matter. I am speaking solely for Great Plains wheat.

Mr. BREEDING. I want to congratulate you and Great Plains for the work you have done.

Thank you.

Mr. HOPE. Thank you very much. You are very generous.

Mr. DOLE. Mr. Chairman?

The CHAIRMAN. Mr. Dole.

Mr. DOLE. I want to congratulate you on your statement. I think you are aware of the problem in getting the State Department to agree that they are an agency of this Government and that they must abide by the laws passed by Congress. In hearings before our Agricultural Subcommittee on Departmental Oversight headed by Mr. Jones we were all surprised to hear some of the replies made by a representative of the State Department to questions submitted by Mr. Jones and others of the committee. Certainly what you have outlined is the right way to proceed, and a proper way to dispose of our surplus wheat, for example, and still do it on the basis of mutual agreement with another country under the general principles you have outlined. I hope your proposal can be included in this legislation.

Mr. HOPE. Thank you very much.

The CHAIRMAN. We thank you very much. We are glad to have you with us.

We will now call Mr. Oscar Chapman, former distinguished Cabinet officer and Secretary of the Interior, now a representative of the Republic of Mexico.

We will be glad to hear you now, Mr. Chapman.

STATEMENT OF OSCAR CHAPMAN, ATTORNEY, WASHINGTON, D.C., REPRESENTING UNION NACIONAL DE PRODUCTORES DE AZUCAR, S.A. DE C.V. (MEXICO); ACCOMPANIED BY OLIVER KISICH

Mr. CHAPMAN. Mr. Chairman, and members of this committee, my name is Oscar Chapman. I am appearing here on behalf of the Association of Sugar Producers of Mexico, which has a very vital stake in the legislation now pending before this committee. The Mexican sugar industry is very important to the economy of Mexico. The sugar industry is Mexico's third largest manufacturing industry. Cane cultivation alone provides an income to more than half a million people in Mexico, not to mention the additional workers employed in the mills. Perhaps even more important is the fact that the Mexican sugar industry is Mexico's largest single source of trade dollars from the United States, producing $70 million in 1961. This amounted to 13 percent of all Mexican sales to the United States in that year. For these reasons, Mr. Chairman, this opportunity to appear and make our views known is most sincerely appreciated by the association and by the many thousands of our good friends in Mexico who depend upon the sugar industry for their livelihood.

I would like to make one point entirely clear at the outset. Mexico does not appear here to persuade this committee that the United States should give less relief to its domestic sugar producers. On the contrary, Mexico does not express any opinion on the amount of sugar which the United States should obtain from domestic sources. Mexico appears here primarily for the purpose of making its views known on the division of the remaining portion of the U.S. market among foreign producers and the terms and conditions under which it is purchased.

Mr. Chairman, I think that everyone in this room will agree that the fundamental purpose of any governmental program relating to sugar is to provide an adequate and regular supply at a price which is fair to both the consumer and the producer. The Congress has frequently stated this proposition and this year we have heard the Departments of State and Agriculture restate it.

The question, then, is not what is the goal, for it is clear that the goal is to obtain adequate supplies at fair prices, but rather the question is, How can this goal best be accomplished? In this connection, Mr. Chairman, and members of the committee, I would like today to discuss with you three basic points:

(1) History has made it entirely clear that in order to have an adequate supply of certain products, including sugar, at reasonable prices, some action must be taken to stabilize their markets.

(2) The global quota and price recapture scheme would contribute significantly to the instability of the sugar market and would have other serious economic and political side effects as well.

(3) As I stated in my testimony before this committee in 1955, if the United States wishes to continue to have adequate supplies at reasonable prices, then the U.S. Sugar Act should be continued, but the quotas should be redistributed so that there is no one dominant supplier.

Mr. Chairman, you can see from these three points that I am opposed to the bill proposed by the executive branch, and I would like to explain the nature of my opposition. Some years ago when I was in the executive branch I, too, sometimes had to act quickly and, in my haste, I sometimes made mistakes. When I was about to make a mistake those who wanted me to fail were silent; my friends told me I was wrong. This is the occasion for my opposition today. I am here to prevent some good friends from making a very serious mistake.

The first point I wish to make is that markets for some products, including sugar, must be stabilized if there is to be an adequate supply at a reasonable price. I thought that the underlying principle of stabilizing markets for basic commodities had been settled more than 30 years ago with the enactment of the Jones-Costigan Act for the purpose of stabilizing sugar prices and supplies. I thought that this principle had been reaffirmed on an international scale during those 30-odd years by the execution of commodity stabilization agreements for sugar, tin, wheat, and olive oil. I thought that the economic accuracy of that judgment had been confirmed when in 1953 the U.N., through the FAO, issued a report which said, "Sugar exhibits to an unusual degree the features that make the operation of an unregulated 'free' market undesirable." I thought that the United States continued to adhere to this policy when in the Punta del Este Charter it

agreed to help to find a "solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries * * *." I must say, I find it difficult to understand how the validity of such a proposition can be questioned after the Congress has asserted it, the United Nations had reasserted it, history has confirmed it, and the United States has entered into numerous international agreements on the basis of it.

But it appears that some people have forgotten the painful experience which brought the Jones-Costigan Act into being. Of late many emotional terms and slogans have been used to describe various aspects of the sugar problem and much misinformation has been circulated. Finally, a bill has been proposed which would, in effect, eliminate country quotas and would tax away from foreign producers the difference between the U.S. and world market prices. Absent this proposal it would certainly be presumptuous of me to explain to this committee why it is necessary to stabilize the sugar market. Since the proposal has been made, however, let me, through an abundance of caution, state for the record why any sugar program which subjects both the buyer and the seller to the vicissitudes of an unregulated market must inevitably result in excessive price and supply fluctuations which are harmful to both parties.

First, let us look at the sugar market from the standpoint of the Latin American producer. Once a sugargrower has planted his crop he is committed to a certain level of production. He can later adjust his output only within narrow limits as the market price goes up or down. Since sugar exported to the United States must, for the most part, come in in raw form, he cannot even store it for long periods until the price gets higher. Instead, he must guess when he plants the cane how much sugar he can market at a reasonable price, plant that amount and hope that his guess was right. Without the benefits of country quotas whether or not his guess is right depends primarily upon what other producers and consumers do. If other producers have greatly increased their production he may be wiped out by low prices; if they have decreased their production, the price may rise. Thus, he is faced with either feast or famine.

Let us look at an unregulated market from the standpoint of the consumer. He knows that world sugar consumption has doubled since 1948 and that it is still increasing at the rate of 5.5 percent per year. He knows also that production has more than kept pace with consumption in some years but has lagged behind in others. He also knows that in the United States, the United Kingdom, and other developed countries, per capita consumption of sugar has reached a leveling off point, but in the underdeveloped countries per capita consumption of sugar is still very low and responds quickly to increases in income. Thus he knows that the price he must pay for his sugar not only depends on the amount produced, but also depends, in part, on the amount by which incomes of underdeveloped countries are increased. Accordingly, in an unregulated market the supply of sugar available to the consumer and the price he must pay for it are largely things which are beyond his control.

It was under just such an unstable system that the world price of sugar dropped from more than 9 cents a pound in 1920 to a little more than 3 cents a pound in 1921, from more than 4 cents a pound

in 1923 to less than 1 cent a pound in 1932. Was it not reasonable, then, for the United States in 1934 to set up a sugar procurement program which stabilized the flow of sugar to the United States? Was it not prudent under these circumstances for the U.S. Government to insure a constant flow of sugar to the United States by establishing a relatively constant price higher than that prevailing in times of plenty, but much lower than that prevailing during periods of scarcity? History has shown that these judgements were right. In the period since the Jones-Costigan Act was passed the price of sugar in the United States has been stable and, when the world price has risen above the U.S. price, foreign producers have continued to ship to the United States because they wanted continued access to a stable market.

By maintaining a regulated market the United States and other large consuming nations encouraged producers to keep sufficient stocks on hand so that an adequate supply of sugar would always be available to these regulated markets. In fact, however, producers cannot precisely predict their output, so they frequently have some raw sugar left over which is sold on the world market. The producer is willing to take any price he can get for this sugar and the result is that some buyers may succeed in getting their sugar at a dumping price. The problem with buying on the world market is, however, that you cannot be sure you will be able to get sugar at all.

In this connection, it may be appropriate to point out to this commitee, as the Mexican Government has done officially to the Department of State, that Mexico would be willing to produce and maintain a standby reserve of sugar, in reasonable proportion to its U.S. quota, to meet special or emergency needs on the U.S. market. Although I have not discussed this matter with representatives of other Western Hemisphere sugar exporting nations, I am confident that they likewise would agree to maintain reserves for filling the special needs of the U.S. market.

The second point I wish to make is that the global quota and premium recapture provisions have no real advantages but, on the contrary, are economically and politically harmful both to the exporting nations and to the United States.

The reasons put forward for proposing the global quota and premium recapture scheme are that—

(1) It would assure a constant supply;

(2) It would result in a foreign exchange saving to the United States;

(3) It would avoid the political problem of allocating quotas among numerous friendly countries;

(4) Aid can be given more effectively by direct means than through so-called sugar "premiums";

(5) It will be easier for Cuba to return to the United States market if no vested interests are created by assignment of quotas.

Let us consider one at a time the alleged advantages of the so-called global quota and price recapture provisions. First, it is contended that these provisions would assure a more constant supply than the present system. This contention assumes two things: one,

that the present system does not assure adequate supplies, an assumption which 30 years of admittedly successful operation refutes, and two, that we can assure ourselves of a more stable supply of sugar by offering to buy at firesale prices rather than at regular prices, an economic theory to which no one can reasonably subscribe. Under the circumstances it is understandable that the executive department witnesses merely asserted that their plan would result in a more stable supply without trying to explain why. The reason, of course, is that the assertion is patently preposterous and cannot be supported.

Second, it has been said that the global quota and price recapture scheme will be less costly to the United States. It is clear, of course, that in some years there would be a saving of foreign exchange and in other years there would be a loss depending upon whether the world market price is higher or lower than the present U.S. price. In his budget message the President estimated that there would be an annual savings in the neighborhood of $180 million. But the President's estimate is based on 1961 figures, a year in which the U.S. price exceeded the world price by a larger margin than any other year since World War II. In fact, however, the differential is normally much smaller and in some years has been reversed. For example, far from saving foreign exchange, the global quota and premium recapture scheme, would have cost the United States more than $1 million in 1950. In 1951 the loss would have been even greater, amounting to about $40 million. If the world price were to return to the 1920 level, the loss resulting to the United States because it did not provide a stabilized market would be about $254 million.

These figures, of course, refer only to the increased cost of the foreign sugar. In fact, if the U.S. producers had also raised their prices to equal the world market price, as they surely would under the global quota scheme, the losses would have been more than twice the amounts I have stated, or about $2.5 million in 1950, $115 million in 1951, and $724 million if the price returned to the 1920 level.

Thus, it can be seen that under the present regulated market the United States actually gets its sugar cheaper than other countries in some years, as well as being assured of an adequate supply.

Third, it is said that the global quota and premium recapture provisions would avoid political problems because the United States would no longer have to allocate quotas among a number of friendly countries. Certainly, if there were no quotas then there would be no problem in allocating them. But this "problem" has never proved insurmountable before, and in any event I submit that it is not a problem at all, but an opportunity; an opportunity to stabilize the incomes of our Latin American friends; an opportunity to increase trade with Latin America; an opportunity to assure millions of people in Latin America of stable employment; and an opportunity to provide ourselves with a constant supply of sugar at reasonable prices. I wish that we had more such "problems." But not only would this global quota scheme deprive the United States of these opportunities, it would also create tremendous economic difficulties in the Latin American countries which in the end would create infinitely greater political problems for the United States than any which might arise because of allocation of quotas. In fact, I think it is extremely poor

policy to allow the executive branch of our Government to be subjected to pressures from competing foreign countries. Rather, the executive branch should be insulated against these pressures by allowing the Congress to allocate quotas among the foreign suppliers, as it always has done in the past.

Fourth, to say that aid can be more effectively given directly than through the Sugar Act implies that aid is presently being given to foreign producers of sugar. As I have already pointed out this is not the case. The United States and other countries which pay a higher than world market price for the sugar they import are not making a gift to the exporting countries. They simply pay for what they get, that is, an assured adequate supply of sugar at an economic price.

In this connection, it is frequently said that sugar dollars are paid to a few wealthy individuals while aid dollars are given to a large number of poor people. Those who repeat this statement obviously have never looked into the facts. In Mexico, for example, the gross revenues from the sale of sugar are divided as follows: 14 percent for costs of sales, 24 percent to the sugar mill, 19 percent to the millworkers, and 43 percent to the cane growers. And who are the cane growers who by law must receive at least 50 percent of the net income from sales of sugar? Are they corporations or large wealthy landowners? Certainly not. Mexico's land reform laws provide that sugarcane land must be owned by the people who work it. Last year in Mexico there were 83,000 owners of cane lands, with an average holding of 9 acres. Does this sound like the sugar dollar paid to Mexico goes into the wrong hands? It is hard to conceive of an aid project which would reach down to distribute benefits on so broad a basis to the working man and the farmer.

Fifth and last, it is said that it will be easier for Cuba to return to the family of free nations if quotas are abolished. This is, indeed, a unique form of reasoning. What possible difference could it make to Cuba whether it returned to the U.S. market or not if it was to receive only the world market price for its sugar in any event? Cuba can get the world market price from any one of a host of countries. In fact, far from abolishing quotas, good U.S. sugar legislation will provide an incentive for Cuba to return to the U.S. market by creating a reasonable price for sugar.

Accordingly, of the five arguments advanced in favor of the global quota and price recapture provisions, none can withstand analysis. Moreover, the Congress must consider all of the economic problems which the proposed plan would create, including the following:

(1) It would create large fluctuations in prices.

(2) It would endanger the constant supply of sugar to the United States.

(3) It would do serious damage to the economies of supplying nations because of market instability.

The economic effects of the bill under consideration are bad enough to insure that it should not be enacted by the Congress, but consideration should also be given to its political effects. In August of 1961, the countries of this hemisphere met at Punta del Este, Uruguay, and

drafted a charter to govern the future actions of the signatory nations. One of the purposes of the charter was—

> To find a quick and lasting solution to the grave problems created by excessive price fluctuations in the basic exports of Latin American countries on which their prosperity so heavily depends.

Title IV of the charter deals with basic export commodities, and in this connection it states:

> National measures affecting commerce in primary products should be directed and applied in order to:
> (2) Avoid market instability:
> * * * * * * *
> Therefore:
> A. * * * Importing countries should * * * be ready to support by adequate regulations, stabilization programs for primary products that may be agreed upon with producing countries.

Later on in this same title of the charter, international measures are discussed and statements such as the following are found:

> * * * it should be considered that producing and consuming nations bear a joint responsibility for taking national and international steps to reduce market instability.

In addition, our foreign aid officials have repeatedly recognized that the fluctuation of a few cents per pound in the prices of basic commodities can well have the effect of wiping out any gains that might have been made as a result of U.S. assistance.

Against this background, the sugar-producing countries of this hemisphere will find it difficult to understand, as I do, why the United States has suddenly proposed sugar legislation which will create further instability in the international market. It is even more difficult for me to understand why, when the United States in 1960 forced Cuba to sell its sugar on the world market because Cuba was an enemy, in 1962 it would propose to force the other Latin American countries to sell their sugar on the world market because they are friends. It seems to me to be a strange world where commitments are made to stabilize commodity prices and then legislation is proposed which would create greater instability; where economic sanctions which have devastated the economy of an enemy are then proposed to be imposed upon friends.

The third point I would like to call to your attention, Mr. Chairman, is that the country quotas and premium price should be continued, but quotas should be redistributed. It is clear at this point that any system which forces producers and consumers to rely on the world market will create many problems and solve none. On the other hand, it is especially clear that the basic structure of the existing Sugar Act has worked well over many years. Accordingly, it should be clear that country quotas and the premium price must be continued. The interruption of sugar trade with Cuba does, however, present us with an opportunity to amend a portion of the act which for years has

cried out for revision. Some members of this committe may recall that in the 1955 hearings I said:

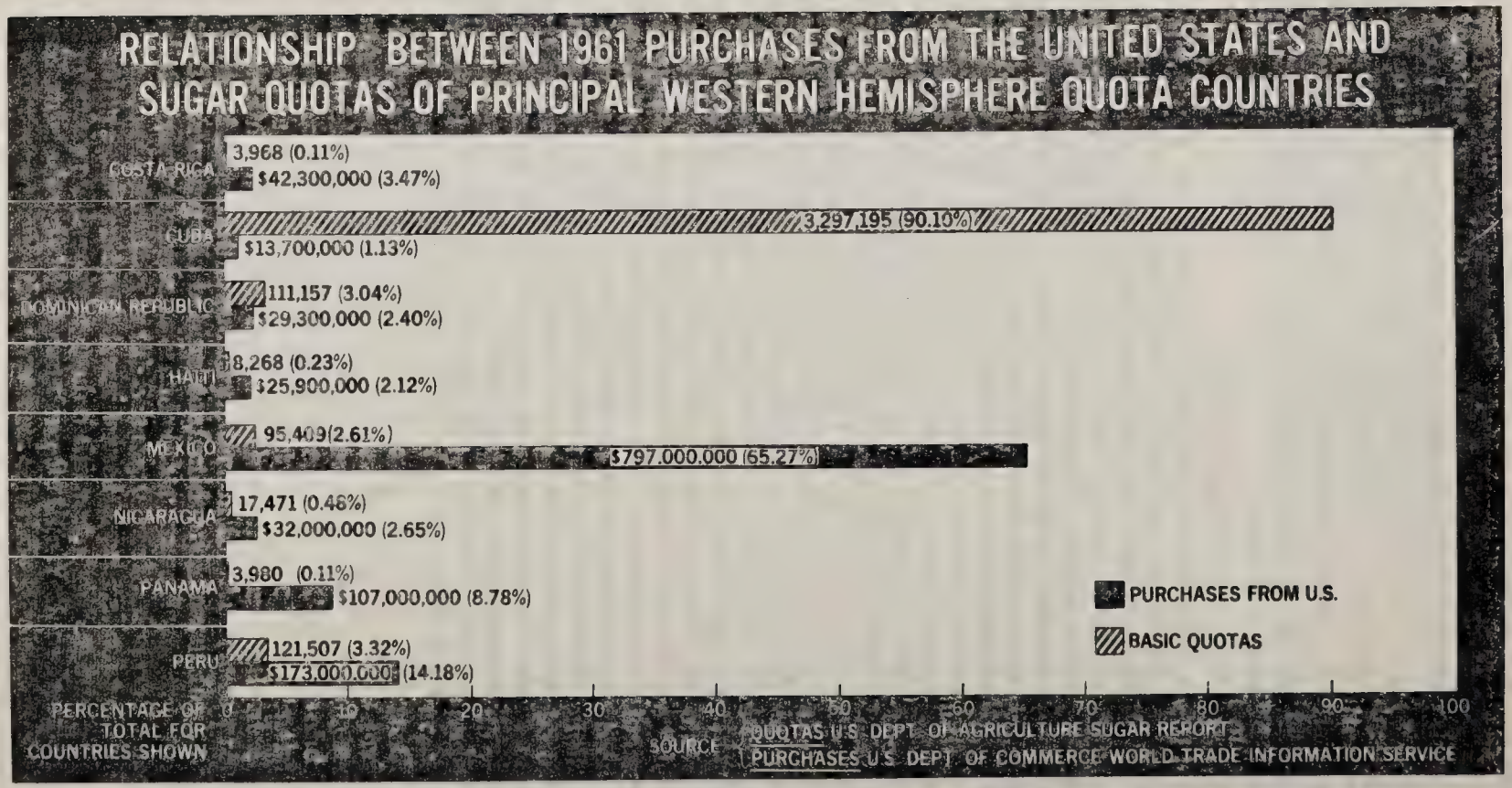
> The essential evil of the proposal of the executive establishment is that it perpetuates a system which ignores present-day equities and relies solely on ancient history. Under this bill, foreign quotas are not allotted on the basis of the needs and merits of 1955, but essentially on the basis of the quantitative distribution of the market as it existed in 1934. Thus no matter what has happened in the ensuing years in terms of economic and political relations, the lion's share of the market is reserved for the few suppliers who happened to be there first. No matter how efficient a new producer is, he is substantially excluded from the U.S. market.

Now, that was my testimony in 1955.

The same argument holds true today; the thrust of the 1962 sugar legislation should be not to eliminate country quotas, but to redistribute them; to create not one sugar bowl, but a number of sugar bowls so that never again is the United States required to rely on one supplier for its sugar. Therefore, Latin American countries other than Cuba should be given larger basic quotas with a substantial amount, in the neighborhood of 1 million tons, reserved for Cuba.

The redistribution of quotas among the Latin American Republics should, of course, be made on some rational basis. But no matter what factors are considered it is clear that Mexico should be among the major suppliers. Members of this committee have frequently said that the United States should buy sugar from those countries which purchase the most goods from the United States, but when we look at the facts we find that in the case of Mexico there is an outstanding deviation from this policy. To illustrate this point we have prepared this chart which shows the relationship between purchases from the United States and sugar quotas. Thus, the chart shows that most of the principal Western Hemisphere quota countries had a percentage of the sugar quota which approximated their percentage of purchases from the United States. For example, Costa Rica had 0.11 percent of the quota for these countries, and 3.4 percent of the purchases from the United States. The Dominican Republic had 3.04 percent of the quota and 2.40 percent of the purchases. Haiti, Nicaragua, Panama, and Peru also had a percentage of quotas which was fairly close to their percentage of purchases. But now let us look at Cuba and Mexico. In 1961, Cuba had 90.11 percent of the basic quota earmarked for it, but made only 1.13 percent of the purchases.

CHART A


RELATIONSHIP BETWEEN 1961 PURCHASES FROM THE UNITED STATES AND SUGAR QUOTAS OF PRINCIPAL WESTERN HEMISPHERE QUOTA COUNTRIES
COSTA RICA
3,968 (0.11%)
$42,300,000 (3.47%)
CUBA
3,297,195 (90.10%)
$13,700,000 (1.13%)
DOMINICAN REPUBLIC
111,157 (3.04%)
$29,300,000 (2.40%)
HAITI
8,268 (0.23%)
$25,900,000 (2.12%)
MEXICO
95,409 (2.61%)
$797,000,000 (65.27%)
NICARAGUA
17,471 (0.48%)
$32,000,000 (2.65%)
PANAMA
3,980 (0.11%)
$107,000,000 (8.78%)
PERU
121,507 (3.32%)
$173,000,000 (14.18%)
PURCHASES FROM U.S.
BASIC QUOTAS
PERCENTAGE OF TOTAL FOR COUNTRIES SHOWN
0
10
20
30
40
50
60
70
80
90
100
SOURCE
QUOTAS U.S. DEPT. OF AGRICULTURE SUGAR REPORT
PURCHASES U.S. DEPT. OF COMMERCE WORLD TRADE INFORMATION SERVICE

But to explain that chart, 1961 is the only year that we are talking about. I will show you another chart in a second. We realize that 1961 is not a normal year. But I wanted to show you where the reserve for Cuba was at 90.10 percent at that time. Her purchases, only $13 million, was a very small percentage, and does not represent her normal purchase or normal position with the United States. I want to make that clear, and I have some figures that will explain it to you further.

Now, admittedly, relations between the United States and Cuba were not normal in that year, but even looking back to 1958, the last year of normal relations, Cuba enjoyed 92.74 percent of the Latin American sugar quota, but made only 28.98 percent of the purchases. I direct your attention now to the bars on the chart representing Mexican purchases and the basic Mexican quota.

And this red here is Mexico.

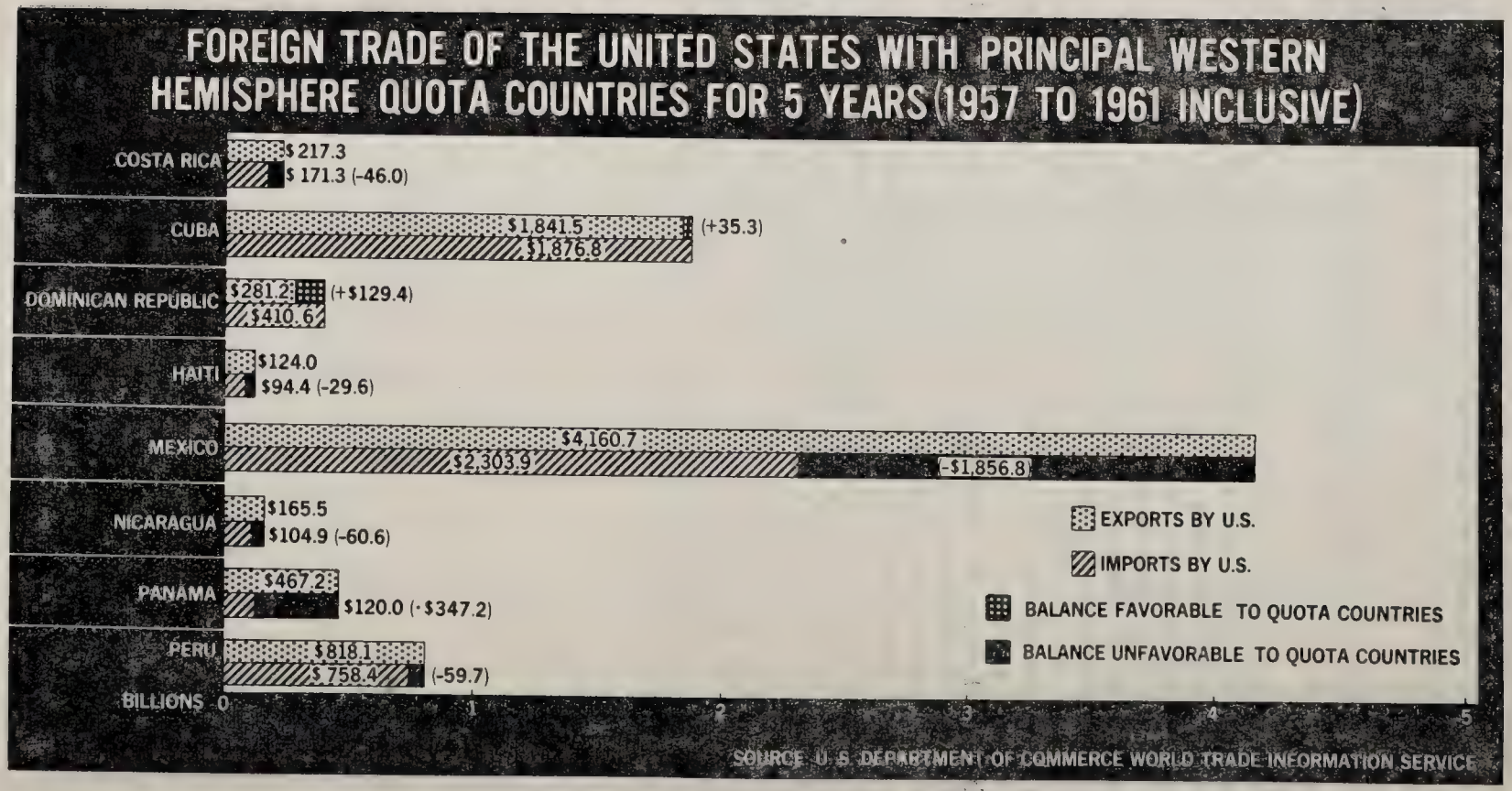
You may see that Mexico is almost exactly in the reverse position of Cuba, having only 2.61 percent of the quota, but 65.27 percent of the purchases.

Even in 1958, which was clearly a year of normal relations with Cuba, Mexico still had only 1.79 percent of quota in spite of the fact that it made more than 47 percent of the purchases.

Not only does Mexico buy more from the United States than any other Latin American country, but in 1961 it bought almost twice as much as all of the other Western Hemisphere quota countries combined. It is obvious that if purchases from the United States are an important consideration, then some changes should be made in the distribution of quotas.

Not only does equity demand a redistribution of quotas, but as the second chart shows—and I want you to take a second look at that second chart—so does economics.

CHART B


FOREIGN TRADE OF THE UNITED STATES WITH PRINCIPAL WESTERN HEMISPHERE QUOTA COUNTRIES FOR 5 YEARS (1957 TO 1961 INCLUSIVE)
COSTA RICA
$217.3
$171.3 (-46.0)
CUBA
$1,841.5
(+35.3)
$1,876.8
DOMINICAN REPUBLIC
$281.2
(+$129.4)
$410.6
HAITI
$124.0
$94.4 (-29.6)
MEXICO
$4,160.7
$2,303.9
(-$1,856.8)
NICARAGUA
$165.5
$104.9 (-60.6)
PANAMA
$467.2
$120.0 (-$347.2)
PERU
$818.1
$758.4
(-59.7)
BILLIONS 0
1
2
3
4
5
EXPORTS BY U.S.
IMPORTS BY U.S.
BALANCE FAVORABLE TO QUOTA COUNTRIES
BALANCE UNFAVORABLE TO QUOTA COUNTRIES
SOURCE U.S. DEPARTMENT OF COMMERCE WORLD TRADE INFORMATION SERVICE

It shows the total sales from the United States, the total purchases from the United States, and the favorable or unfavorable balance for the same principal Western Hemisphere quota countries for the last 5 years.

Now, we have not put the other Latin American countries like Brazil and Argentina and others who produce sugar, because these are not in the quota area.

These are the quota countries which have been established by law already. The others are asking for consideration this year, and I want to say that this committee should consider them, too.

Neither have we put the Philippines in this, because the Philippines are taken care of primarily by our treaty with the Philippines. However, the Philippines are asking and should be given consideration in addition to that.

Note that, here again, most countries have a slightly favorable or slightly unfavorable balance of trade with the United States, with the exception of Mexico which over the past 5 years has had a total deficit of almost $2 billion. How long can Mexico be expected to let this situation continue? How much worse will it get if the $70 million which Mexico got for its sugar in 1961 is reduced to less than half that amount in 1963?

Traditional trade ties are, of course, important, but this committee may also wish to consider other factors such as distribution of sugar earnings within the producing country, capacity to supply, proximity and past performance.

I have not dwelt upon the proximity of Mexico to the market of the United States because it is obvious that every Member of this Congress realizes that it is the only producing country that borders our country and could deliver sugar to us on short notice by land, if necessary.

If the United States is to have a principal sugar bowl, then equity, economics, and social justice would dictate that Mexico should occupy that position. But Mexico has repeatedly said that it does not want to create a monster sugar industry which is completely dependent upon the U.S. market. Rather I believe that no one country should ever again become the dominant supplier of sugar to the United States. Such a policy simply breeds economic and political problems, not only for the United States but for the producing nations as well. For this reason Mexico has never tried to become the only, or even the dominant, Latin American country exporting sugar to the United States. Instead, Mexico asks that there be a general redistribution of quotas among all the Western Hemisphere countries capable of supplying sugar to the United States.

In conclusion, I would again like to thank this committee for the opportunity to appear here and express the views of the Mexican sugar industry on this vital legislation. I think I can assure the committee that the hundreds of thousands of people in Mexico who depend upon this industry for a livelihood are following your deliberations with keen interest. I particularly appreciate the courtesies which you have uniformly accorded me, and the intelligent and statesmanlike way in which this committee has approached this very important problem.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Chapman, for your very fine statement. Will you explain this chart a little more?

Mr. CHAPMAN. Mr. Chairman, as I said, this is a 5-year chart showing the balance of trade of the United States with the principal Western Hemisphere quota countries.

Now, if you will notice in Costa Rica, I will use that as an example, Costa Rica purchased from us $217 million in that period, and it sold to us only $171 million. That leaves Costa Rica with an unfavorable balance of trade of $46 million for the 5-year period.

During this 5-year period Cuba purchased $1,841 million but sold to us $1,876,000. So Cuba has a plus of $35 million or more.

Coming down to the Dominican Republic, the Dominican Republic has purchased $281 million from us, but sold to us $410 million. So she has a plus of $129 million.

And the little Haiti, of course, purchased $124 million, and sold us only $94 million.

Now, Mexico, look at the Mexican chart here, her purchases over the 4-year period are $4,160 million, and she has sold into our country only $2,303 million, leaving her with a deficit, an imbalance of $1,856,000,000 for the past five years.

Now, each of the others are in similar categories, as you know, some have a little surplus and some have a minus, and you can tell by those colors which one.

Now, Mr. Chairman, I am trying to focus your attention on how important this sugar legislation can be to some of these little countries, as well as to Mexico. It is vital to Mexico, and it is vital in the sense that our production, our consumption in Mexico—it has one of the highest, incidentally, per capita consumptions of any country. I think it is 68 pounds per capita. I think there are one or two others that are slightly below. But that is a high rate of consumption, and going up according to their earnings and income as it increases in Mexico.

The other chart that I didn't fully explain to you, I want to carry that one step further. I want to make it thoroughly clear to you that this was not put in here for the purpose of trying to mislead you on Cuba's relationship in 1961, because everyone knows that Cuba did not sell us that amount of sugar or any sugar in 1961.

But I show you what was reserved for Cuba only, that was put in this only for that purpose, and she did purchase $13,700,000 during that period. That is only put in for that purpose, not the other.

Now, you see what these other countries, where they stand, with Mexico's 95,000 tons—and she purchased from the United States $797,000, 65 percent of the total purchases here.

I would be glad to answer any questions.

The CHAIRMAN. Any questions?

Mr. POAGE. I just want to compliment Mr. Chapman. We sit here day by day and hear dozens of witnesses, and most of them have something worthwhile, but it is very rare that we hear a witness who presents a case as completely and concisely and as clearly as you have presented this case. I think you have done a remarkable job. I think it is one of the finest presentations that I have witnessed in a long time. I want to congratulate you on what you have done.

Mr. CHAPMAN. Thank you, Mr. Poage.

Mr. TEAGUE. I certainly want to concur with Mr. Poage, Mr. Chapman, I think you have made an excellent presentation. And I also understand that neither you nor your clients determine governmental policies either by the Federal Government or the State governments in Mexico. But I would like to observe that I think the Government of the Republic of Mexico has put you at some disadvantage, at least in my eyes, by the current embargo on American oranges. As I am sure you know, they had a freeze in Mexico, and orange production will be down for several years. It is admitted that Mexico cannot even supply its own market adequately, and prices are very high, and yet this embargo persists.

I would like to have any comment you can give us on that.

Mr. CHAPMAN. I am very glad to comment on that, Congressman. First, you are correct that we do not have the responsibility for determining the governmental policy of Mexico, the Federal or State. But we are interested in whatever policies are promulgated by the Federal or State governments that affect the economy of Mexico. And in your particular case, the embargo on oranges was made on February 18 of this year, and as of this moment there is a delegation from the Government of Mexico, including the under secretary of agriculture, who is here in the city now and is sitting in negotiations with the Agriculture Department, and I presume the growers, the California orange people.

On Thursday afternoon of this week they are having a very important conference to try to adjust it. It is purely a temporary market problem. And I am hoping we can make it as temporary as possible, regardless of sugar, Congressman. Sugar or no sugar, this ought to be settled as quickly as possible. But both sides of the border have problems on oranges and they are trying to adjust it now in this conference.

Mr. TEAGUE. I am sure that is your intention and best opinion. I hope the Government officials of the Republic of Mexico will take an understanding position on this matter. This embargo has been in effect for some year and a half, and representatives of the Government of Mexico are here now, as I understand it, asking for permission to bring more strawberries into this country, but so far have shown a complete unwillingness, according to my information, to indicate any giving in the matter of exporting oranges to Mexico.

This cannot be a one-way street, as I see it.

Mr. CHAPMAN. No, it cannot be, and I am sure it is not the purpose of the Mexican Government that it be that way. They are so serious about this that they sent an important official, the under secretary of agriculture, here. And I conferred with him this week about this very problem, and several other problems. These problems such as the strawberries and oranges are temporary market problems which are usually inherent in day-to-day operations.

I agree with you, the quicker we solve them rather than prolong them the better for everybody. And that is what we want.

Mr. TEAGUE. I suggest, Mr. Chapman, that you might relay to the government officials that there are many Congressmen from California and Arizona and Florida and Texas who are interested in the orange industry and should be more disposed to be sympathetic to Mexico's sugar product if Mexico is kinder to California and the other orange areas.

Mr. CHAPMAN. Of course I do not represent the Mexican Government, and I cannot speak of them, but I know the Mexican Department of Agriculture and the Mexican Government would be very pleased if you and your representatives would attend that conference this week. I hope you will be there, because I think it should be straightened out. I made inquiries about this matter before this meeting because I was concerned about it.

Mr. TEAGUE. Thank you.

Mr. GATHINGS. Mr. Chapman, I am grateful to you for your fine presentation this morning.

For a number of years we have been working on the matter to obtain bracero labor in this country when the farmer has to have a supplemental labor supply. That program has been gradually falling off, there have been less Mexicans coming to this country recently. It is known by everyone that there is a great surplus of manpower in Mexico, they flock to the border. They want to come here to work.

Regulations by the Department of Labor have been most adverse to the growers in this country of the commodities that require this labor. They are getting worse year by year with these regulations, which is making it more difficult to bring these men up here who are so badly needed.

We are mechanizing faster, we have to mechanize in order to change our pattern of agricultural production in those areas.

The point I am trying to make is that with less bracero labor coming to this country, with the great surplus of labor that you have in Mexico, there is something that needs to be done to take up the slack. The balance of payments, as you have shown so clearly is working adversely to Mexico. The Department of Labor regulations are doing the same thing. Something needs to be done.

I appreciate your statement, because I think we ought to take another look at the quota as it applies to Mexico.

Mr. CHAPMAN. Let me make this comment: First, it would be quite inappropriate, and I would not have the authority to speak for the Mexican Government here.

The sugar industry is a private industry, and I represent them.

I do not have authority to speak on the subject you have raised. But I might say that our Department of Labor and the Department of Labor of Mexico have been constantly working on this. It would be presumptuous for me to comment on it, because I am not familiar with it.

Mr. GATHINGS. Of course not. But I know the problem has been growing more acute, and the new regulations accentuate that problem more from year to year.

The CHAIRMAN. Mr. Inouye?

Mr. INOUYE. I wish to join my colleagues, Mr. Chairman, in commending Mr. Chapman for his fine presentation.

I noted in the statistics of the sugar sales from Mexico there is an item of refined sugar amounting to 10,500 tons. You made no mention of this in your statement. Would you like to comment on that?

Mr. CHAPMAN. Yes. We have a very small white sugar, refined sugar allocation, and it is a very small amount.

Let me say this: We are trying to do all we can to cooperate with the industry here, as far as we are concerned, because I think the

future success for both of us, or the best results for both the industry here and the industry in Mexico, is to get harmony and to get working together. And I think if that small amount of white sugar is a real problem to the domestic industry here, I am sure that with proper consideration—and I say proper consideration—if our quota is given substantial increase in this there would be no problem for us to cut out the white sugar entirely.

As a matter of fact, I think the countries who ship white sugar—maybe I should put it this way, I shouldn't say this because my colleagues will be following me—there is a little bit more of a problem in the sense of having to justify shipping in refined sugar, because you are doing two things, you are pressing your refining industry in this country, keeping them operating at full capacity in an industry in which the investment is already made, and in the other case you are having a problem of the total quota coming in. So they have a problem in that case, both the producing country and the domestic refiners here.

But we are willing under this—and let me say this. If you have noticed, I did not make any request for any specific tonnage in this matter. We are perfectly willing to leave this to the fairness of this committee. I felt that if we could make an honest presentation here this morning, this committee would be fair in dividing this up. And if this committee wants those 15,000 white tons from Mexico, they can have it.

Mr. INOUYE. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Chapman.

The next witness is Mr. James Dyess.

Someone handed me your statement and said you wanted it inserted.

Mr. DYESS. I presumed the committee was going to adjourn, and I had some commitments at 2 o'clock.

The CHAIRMAN. Your statement may be inserted at this point.

(The statement referred to is as follows:)

STATEMENT OF THE NATIONAL ASSOCIATION OF WHEAT GROWERS ON H.R. 11730, TO AMEND AND EXTEND THE SUGAR ACT, BY JAMES B. DYESS, EXECUTIVE VICE PRESIDENT

Mr. Chairman, the National Association of Wheat Growers has an interest in the extension of the Sugar Act, not as sugar producers, but in the effect import pricing policies and the allocation of quotas has on foreign trade.

It is our belief that domestic sugar producers should be allocated as much of the total domestic market as is practicable, and apparently this proposed bill accomplishes this aim to a major degree.

But after the allocation of quotas to our domestic producers there still remains the problem of obtaining a sufficient quantity of sugar from other producing countries to meet the needs of our consumers. It is the policies determining the allocation of these quotas from foreign countries and the price we pay for these imports that concerns us.

The proposed bill stipulates that a portion of our imports would be purchased at world market prices, from any available source, and that an equalization fee would be assessed to compensate for the difference between the world price and the domestic market price. In addition, this bill would over a period of years impose the equalization fee by progressive stages on imports from those countries currently enjoying a fixed quota at a preferential price.

We are unalterably opposed to this method of doing business. It is our understanding that the world price of sugar is, in effect, a price for residual supplies, and somewhat below the cost of production.

The members of this committee are well aware of the concern our members have expressed over pricing policies of importing wheat countries, wherein an equalization fee, or skimming charge is assessed against our product, and the fact that we have urged an increase in the world price of wheat to offset to some extent this tax on our exports.

We believe it would be detrimental to our cause if this Government were to impose similar equalization fees in the case of sugar imports.

The case for a fair price for all sugar consumed in this country, whether produced domestically or in friendly countries has been documented so well in previous years that it would be repetitious to dwell on it here. We are firmly convinced, however, that aid to friendly nations is made more effective by paying a fair price for imports than by buying at a fire-sale price and then through an equalization fee obtain funds to be appropriated as direct aid to the producing countries.

Our other main concern is in the allocation of the sugar quota to friendly nations. When we maintained relations with Cuba, our purchases of sugar maintained their economy. By so doing, we were able to sell for dollars a tremendous quantity of both agricultural and industrial produce from this country. This free trade benefited both nations.

With the suspension of relations with Cuba, this trade ceased, and the Cuban quota was spread around to other sugar exporters, without regard to trade balance.

It was a bitter disappointment to the wheatgrowers that, even after the Congress directed the administration to give preference in allocating nonquota sugar purchases to those countries agreeing to purchase our agricultural products, this was not done.

The prime example of this was in the refusal of this Government to accept a firm offer from the Government of Brazil to purchase wheat from the United States with every dollar received from the sale of sugar during the calendar year 1962. Instead of accepting this offer, additional sugar allocations were made, with no strings attached, thus increasing the dollar flow out of this country.

At the present time, wheat in Brazil is rationed to millers. It is that Government's hope to increase the per capita consumption of wheat in order to provide a better diet for its people. It would be ridiculous for the Government to undertake this, however, unless it is assured of a steady supply of wheat, and has the dollars to pay for it.

We have been advised that the Brazilian Government is prepared to lift its restrictions on sale of wheat to its consumers, and further, is prepared to purchase from the United States at competitive prices for dollars a substantially increased quantity of wheat to fill its expanding needs.

This, of course, is conditioned on the granting of a fixed quota for a period of years. The Government of Brazil would be willing to use two-thirds of the receipts from fixed quota sugar sales for the purchase of wheat.

Mr. Chairman, we recommend that a provision be written into the law requiring that preference in the allocation of sugar quotas be given to countries agreeing to purchase agricultural commodities from the United States.

In addition, however, in view of the unfortunate interpretation which has been placed on a similar provision in past years, and since here we have evidence of one country ready and willing to trade sugar for wheat, we would recommend that a fixed quota of at least 500,000 tons for Brazil be written into the bill.

Mr. Chairman, I appreciate the opportunity to present our views regarding this legislation.

NATIONAL ASSOCIATION OF WHEAT GROWERS,
June 4, 1962.

Hon. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. COOLEY: I am submitting for the record a supporting statement with relation to wheat-sugar transactions recommended in my testimony on H.R. 11730 before the House Committee on Agriculture.

I respectfully request that this statement be incorporated as a supplement to my statement filed on May 21, 1962.

Yours very truly,

JAMES B. DYESS, *Executive Vice President.*

POSITION PAPER ON WHEAT-SUGAR IN CONNECTION WITH THE HEARINGS OF THE HOUSE AGRICULTURE COMMITTEE TO CONSIDER AMENDMENTS AND EXTENSION OF THE SUGAR ACT OF 1948

The position of the National Association of Wheat Growers, and also the Great Plains Wheat, Inc., have already been placed before the committee through statements given on May 21, 1962. In substance, the position is (1) there is no conflict between the desires of the domestic sugargrowers being allocated as much of the total domestic market as is practicable; and (2) that preference should be given in the allocation of sugar quotas to countries agreeing to purchase U.S. agricultural commodities.

The wheatgrowers of the United States give their unqualified support to the principles outlined above on the basis that it makes good wheat sense for three principal reasons:

1. Good business sense.
2. Good political sense.
3. Good sugar sense.

1. Good business sense

During the fiscal year July 1960–June 1961, U.S. agricultural imports totaled $3,642 million. Our total agricultural exports for the same fiscal period was $4,943,700,000. However, of this amount $1,541,400,000 represented exports under specified Government programs. This left $3,402,300,000 as the net exports on a cash basis. Therefore, the United States had a dollar deficit of $240 million on a dollar basis ($3,642 million imports minus $3,402 million cash dollar exports).

The import trade of $3,642 million may be further analyzed under supplementary (competitive) and complimentary (noncompetitive) agricultural imports. We believe the interest of the United States to steer our trade toward those countries who are the principal source of complimentary agricultural commodities to the extent possible, and this is the reason we support the request of the U.S. producers for increase in their sugar quotas. On the other hand, in determining where the balance of the foreign requirements should go, consideration should be given to countries whose sales to us of supplementary products are low. On this basis, the sugar-supplying countries of the Western Hemisphere—Brazil and Colombia—have a good position.

In terms of the value of agricultural exports by commodity over the past few years, the United States has had a program of Government-financed exports under various titles, with the result that for wheat alone, of the total exports of $4,597 million, only $1,092 million constituted cash dollar exports. In other words, three-fourths of the wheat exports were U.S. Government financed for the period beginning July 1, 1954, through June 30, 1961.

We need to expand our U.S. dollar exports whenever possible. (In fact, the Public Law 480 programs were, in part, designed to assist in market development.) Thus, the recent Brazilian proposal to relate an average of about $50 million a year of additional dollar wheat business to the granting to Brazil of a basic sugar quota to replace part of the Cuban deficit is an example of good business. The Brazilian program envisaged actually would use an additional 8,330,000 metric tons of wheat over a 5-year period if the program can be supported by using the receipts from the sugar sales to the United States. This additional sale would be accomplished under a program which would permit Brazil to maintain her purchases, and in fact, would increase her purchases from traditional suppliers. In addition, this would permit Brazil to move toward free imports of wheat. New and additional dollar sales of wheat would be increased beginning in 1962 from 300,000 metric tons to 1,190,00 metric tons in 1965. This would represent new cash purchases beginning at $21 million in 1962 and increasing to around $84 million by 1966. This would be an important addition to total cash wheat sales to all countries of $278 million recorded in the fiscal year ending 1961. In 1962, the first year of the program, the Brazilian proposal would represent a 10-percent increase in cash dollar sales of all wheat to all markets, and in 1966, in the last year of the program, the total value of sales of $84 million would represent a 30-percent increase in total U.S. cash sales to all markets. For the 5-year period the new cash sales to Brazil represents an average increase of about $50 million annually, or 20 percent over the 1961 dollar sales.

The Brazilian proposal alone is of great national significance since it would mean selling, for cash, wheat equal to that produced or an average of more than 3 million acres a year for 5 years.

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This same type of program, however, can and should be worked out whenever possible with other countries, and for other U.S. farm commodities, such as feed grains, poultry, animal products, and dairy products.

All this, it seems clear, makes good business sense because (1) maximum utilization of the productive capacity from wheat acreage would be realized, thereby minimizing Government costs associated with handling commodities in surplus; (2) additional permanent dollar markets would be created for exports of crops in Latin America as a means of offsetting the anticipated decline of U.S. agricultural exports to the European Common Market and the loss of exports to Cuba; and (3) the Nation's balance-of-payments position would be improved.

2. Good political sense

The wheatgrowers and the growers of sugarbeets and sugarcane in the United States are looking for expanding markets for their products.

These growers have a common interest. Many States, in fact, are important producers of sugar and wheat, as, for example, North Dakota, Nebraska, Montana, Idaho, Colorado, Washington, Minnesota, Michigan, and Oregon.

In two other States—Texas and Oklahoma—wheat is an important crop and many of the farmers want to increase their production of sugarbeets.

There is no reason, in short, for political conflict over these two crops.

This point is demonstrated in a table which compares sugarbeet acreage with wheat acreage in States producing significant quantities of both crops.

The importance to these same States of an expanded export market for wheat is illustrated in the attached table using the only formal proposal from a sugar-exporting country as an example. This table prorates the acreage that would be required to supply the wheat called for in this proposal.

In this table, for the purpose of illustrating the point, that required acreage was assumed to average 3 million acres annually.

Actually, the Brazilian proposal calls for a gradual increase in total wheat consumption of 10 percent each year over a 5-year period, beginning this year.

In order to meet this increased consumption, the Brazilian proposal allows for projected increases in local production, and some expansion of purchases from Argentina. The largest portion of the expanded wheat purchases would come from the United States.

A second table gives the estimated tonnage of wheat that would be required from the United States and illustrates the equivalent acreage needed to yield that tonnage.

	Comparison of wheat and sugar acreage harvested in 1961		Percent	Brazil, wheat-sugar utilized proceeds from 3,000,000 acres annually
	Sugarbeets	All wheat		
Total	1,087,800	51,620,000	100	3,000,000
Ohio	21,600	1,457,000	2.8	84,000
Michigan	72,200	1,111,000	2.2	66,000
Wisconsin	6,500	58,000	.1	3,000
Minnesota	97,100	1,022,000	2.0	60,000
North Dakota	46,900	5,756,000	11.2	336,000
South Dakota	9,200	2,260,000	4.4	132,000
Nebraska	77,800	3,220,000	6.2	186,000
Kansas	10,300	10,329,000	20.0	600,000
Montana	65,500	3,679,000	7.1	213,000
Idaho	119,000	1,083,000	2.1	63,000
Wyoming	52,100	229,000	.4	12,000
Colorado	167,100	2,459,000	4.8	144,000
Utah	23,600	215,000	.4	12,000
Washington	54,600	1,974,000	3.8	114,000
Oregon	20,700	796,000	1.5	45,000
California	238,000	337,000	.7	21,000
Texas	[1]	3,690,000	7.1	213,000
Oklahoma	[1]	4,618,000	8.9	267,000
Other	5,600	7,327,000	14.3	429,000

[1] Included with other.

Source: "Crop Production—1961 Annual Summary," U.S. Department of Agriculture, Dec. 15, 1961, Cr. Pr. 2-1 (61).

Table C below illustrates how the suggested program may be implemented:

TABLE C

[Thousand metric tons]

Calendar year	Total required from United States under assumed targets (table B)	Proposed from title I and title IV	Wheat for cash	
			By formula	Usual purchases
1962	1,700	1,100	300	300
1963	2,150	1,500	500	150
1964	2,550	1,500	900	150
1965	2,440	1,300	990	150
1966	2,540	1,200	1,190	150
Total	11,380	6,600	3,880	900
5-year average	2,276	1,320	776	180

CALCULATED ACREAGE UTILIZED TO PRODUCE ABOVE TONNAGE [1]

[Thousands of acres utilized]

1962	2,618	1,694	462	462
1963	3,311	2,310	770	231
1964	3,927	2,310	1,386	231
1965	3,758	2,002	1,525	231
1966	3,912	1,848	1,833	231
Total	17,525	10,164	5,975	1,386
5-year average	3,505	2,033	1,195	277

[1] 1 metric ton equals 2,204.6 divided by 60 pounds (1 bushel of wheat) equals 36.7 bushels per metric ton. 36.7 bushels per metric ton divided by 23.9 bushels per acre (U.S. national average, 1961) gives 1.54 acres to produce 1 metric ton of wheat. Factor of 1.54 acres used to convert table C from wheat tonnage to equivalent yearly acreage utilization shown above.

Source: Wheat-sugar memorandum for Brazil submitted for the record by Clifford R. Hope, Great Plains Wheat, Inc., at the May 21, 1962, hearings on H.R. 11730.

For example, the requirements from the United States in 1962, begin at 1,700,000 metric tons of wheat and increases to 2,540,000 metric tons in 1966. The acreage equivalent—in terms of the illustration used—would be 2,618,000 acres in 1962 and increases to 3,912,000 acres in 1966.

3. Good sugar sense

Sugar production is naturally adapted to the tropical countries in the Western Hemisphere, and the widespread production of sugar in this general area gives assurance that the U.S. sugar supplies needed to fulfill the foreign sugar requirements as determined by Congress to be their share of the U.S. market under provision of the Sugar Act.

At least three countries now under the Sugar Act—Mexico, Dominican Republic, and Peru—each have sugar available for export in quantities exceeding 500,000 tons or more, and the fourth country—Brazil—has an export history for the past 3 years of over 800,000 tons, and this under conditions of crop restrictions.

Many smaller Latin American countries in the Western Hemisphere have sugar for export in smaller amounts.

This is a natural trade area for the United States. Consequently to the extent possible, these countries' requests for basic sugar quotas under the act should be given greater importance to the extent that they offer a program which involves the reciprocity of trade and thereby contributes to one of the objectives of the Sugar Act to promote the export trade of the United States.

The United States has demonstrated that it leads the world in the production of many farm commodities. On the other hand, it has been generally observed that most of the underdeveloped countries of Latin America are deficient in consumption of better quality cereal foods. Also, to the extent economy will permit, they could increase their consumption of high protein foods.

The United States, on the otter hand, has in the recent period experienced an unfavorable balance of payments and a drain on the gold reserve. This situation could be greatly eased if exports from the United States for cash dollars could be increased.

To the extent that we can expand our markets for all farm products, and particularly those in surplus, we would be, in fact, associating good business sense with good sugar sense.

The CHAIRMAN. The committee will adjourn until 2 o'clock to hear the other witnesses listed.

(Whereupon, at 12:10 p.m., the committee recessed, to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will be in order.

We now have the next witness Mr. Albert S. Nemir of A. S. Nemir Associates. We will be glad to hear from you now.

STATEMENT OF ALBERT S. NEMIR, A. S. NEMIR ASSOCIATES, REPRESENTING THE SUGAR AND ALCOHOL INSTITUTE OF BRAZIL; ACCOMPANIED BY HERBERT C. HATHORN, COUNSEL

Mr. NEMIR. Mr. Chairman and members of the committee, I am Albert S. Nemir of A. S. Nemir Associates. Our firm represents the Sugar and Alcohol Institute of Brazil, an entity of the Brazilian Government, which was established in 1930 to assure the orderly production and distribution of sugar.

H.R. 11730 does not provide a basic quota for Brazil. We are presenting, on behalf of Brazil, the compelling reasons why such a quota would be mutually beneficial to Brazil and to the United States, and wholly in accord with the purposes of the Sugar Act.

Among those countries friendly to the United States, Brazil is the world's leading commercial producer of sugar—currently producing about 4 million short tons, raw value, annually. Only Soviet-oriented Cuba and the Soviet Union itself exceed Brazil's output. Brazil is also the only large exporter in the Western Hemisphere that does not have a sheltered market for her exports; nevertheless, Brazil's exports, in fulfillment of International Sugar Agreement commitments to the world market, have averaged over 800,000 short tons during the past few years. Thus, Brazil easily qualifies, under the Sugar Act, as an adequate and stable source of supply of raw sugars.

A raw sugar quota for Brazil would also satisfy a second important objective of the Sugar Act—namely, promoting the foreign trade of the United States. If our country grants a substantial sugar quota to Brazil, then, in turn, we will be able to market additional agricultural commodities, including wheat.

This increased trade, moreover, would greatly strengthen President Kennedy's Alliance for Progress, a program to promote the economic development of Latin American countries. As it happens, the northeast sector of Brazil accounts for about 40 percent of total sugar production in Brazil and at the same time is the most poverty-ridden area of the country.

A stable U.S. market for sugar would be a major stimulus to the area's economy, thus serving a basic purpose of the Alliance for Progress for approximately 25 million persons living in the northeast area.

It should be emphasized that the Sugar and Alcohol Institute of Brazil, which we represent, is ideally organized to provide democratic administration of the receipts from any U.S. quota granted under the program envisaged here.

The Sugar and Alcohol Institute includes representation—through an executive commission—of the Ministries of the Federal Government of Brazil—of agriculture, labor, industry, and finance—as well as representatives of all segments of the Brazilian sugar industry—cane sugar growers, mill owners and workers. This board representation of all segments of the Brazilian economy—Government and private—provides for the consideration of public and private matters, including the Brazilian Government's self-help effort under the Alliance for Progress, and the consideration of measures for the social and economic well-being of the workers in the sugar industry.

We have prepared a brief statement summarizing Brazil's petition for consideration by the committee. I have asked my associate, Mr. Herbert C. Hathorn, an attorney, to read the brief statement, following which we will be glad to answer any questions.

Mr. HATHORN. In view of the pressure of time and to conserve the time of the committee, I ask permission of the chairman to file a supplemental report for the record in order to elaborate on the points which are briefly given in this statement. In the time allotted for testimony, it is not possible to fully cover the factors which are to be considered concerning Brazil's case for a permament sugar quota, and I respectfully urge the committee members to read the supplemental report.

The three principal points which we believe place Brazil in a high priority position to receive a basic sugar quota under Sugar Act are:

1. Brazil is qualified to meet the Sugar Act criteria, "to protect the welfare of consumers of sugars and of those engaged in the domestic sugar producing industry."

2. Receipts from sugar sales to the United States will be used for the social and economic benefit to the Brazilian people and will constitute a major contribution to the Alliance for Progress.

3. A basic sugar quota will contribute substantially to another objective of the act, "to promote the export trade of the United States."

Point 1: Brazil is in the Western Hemisphere. Her ability to ship substantial quantities of sugar on short notice has already been demonstrated. Exports in the past 4 years, even under imposed limitations, have provided over 800,000 short tons for export in addition to the 3 million short tons (raw value) consumed in the domestic market. Production is continuous throughout the year, since there are two crops—in the northeast from September to April, in the south from June to December.

Shipments are from three principal ports. The port of Recife and the port of Maceio in the northeast, where sugar can be delivered in fast boats of 10 days up to 15 days to supply the raw sugar requirements of the United States east coast refineries. Capacity in these two ports exceeds 100,000 short tons per month. From the port of Santos in the State of Sao Paulo, where sugar production is concentrated in the south, with a harvesting season from June to December, approximately 90,000 short tons a month are possible, and sugar can be shipped from other ports in Brazil in smaller quantities.

We feel that Brazil now is one of the few countries in the Western Hemisphere which can, in part, give that kind of assurance which Cuba gave in supporting the Sugar Act during stress periods when the United States required additional sugar. We make this point because she has two separate crops in two important producing areas. She has surplus cane and existing capacity which permits the maintenance of a substantial export market to the world in addition to any U.S. quota she may be granted. This means that she can now contribute on short notice a substantial part of U.S. foreign sugar needs in the same manner Cuba responded to give stability to the operation of the Sugar Act.

Point 2: Brazil has recognized the importance of sugar in her economy, her responsibility to sugarcane workers, the conditions of the sugar industry, and the welfare of the people depending upon the industry for their well-being. Forty percent of Brazil's sugar production is in the northeast where Brazil's principal effort in the Alliance for Progress is centered. There are 25 million people in the northeast area where average income is low and where economic conditions are the worst in Brazil. The institute took action last year by establishing a fund for the consolidation and development of economic and social programs for workers in the sugar and sugarcane industry. In addition, all net receipts from sugar exports to the United States are earmarked to this fund, thus avoiding any possibility of profiteering in the sugar industry. Detail on the initial program is contained in exhibit 1 attached to this statement. Brazil's role in the Alliance for Progress program is crucial because of her location and size in the Latin American community of nations. In fact, the Alliance for Progress owes even its origin to the Government of Brazil who, on August 8, 1958, sent a memorandum to the governments of the other American states, proposing "Operation Pan-America." The Alliance for Progress is a program for promoting the economic development of the Latin-American countries through self-help, expanded international trade, and economic and technical assistance.

Brazil has the most serious balance-of-payments problem of any large country in Latin America. The basic reason for the payments difficulties has been the steady decline in the prices of her export products. Prices of coffee, cacao, and cotton, the three principal exports of Brazil, have declined over 40 percent since 1954, and the balance-of-payment difficulties have necessitated a severe restriction of imports. In 1954, imports were U.S. $1,630 million. In the 7 years since then imports have been from 10 to 24 percent lower than in 1954. The present deficiency of imports is a major problem in the Brazilian economy. Increase and diversification of Brazil's exports is indispensable to attaining the economic and social objectives of the Alliance for Progress. It is unlikely that Brazil can increase its earnings from coffee exports to any significant extent. Instead, Brazil must develop foreign markets for a wide range of products—agricultural, minerals, and manufactures—if she is to improve standards of living and upgrade diets through increased consumption of high-quality foods such as wheat and wheat products.

Point 3, "To promote the export trade of the United States": The present Sugar Act accomplished this objective rather fully until the time Cuba's quota was suspended. During the past decade the duty

concession granted to Cuba under the act resulted in a favorable balance of trade to the United States. Cuba supplied over 95 percent of our foreign sugar needs, amounting to in excess of $300 million annually, while our exports to Cuba averaged over $400 million annually.

The assignment of a sizable basic sugar quota to Brazil within a new sugar act would be an opportunity for the United States to immediately expand her exports as a partial replacement for lost Cuban trade.

Brazil has sugar for export to the world market and the U.S. market, and desires to increase her imports of U.S. wheat. The United States has wheat for export and requires foreign sugar. Here we have the largest friendly sugar producer—Brazil—requiring additional wheat for improving living standards and upgrading diets, willing to make her sugar resources available to the world's greatest producer of wheat—the United States—as a means of payment for her additional wheat needs. Two great agricultural nations would be cooperating for the mutual interest of each.

It has been determined that it is not a lack of wheat which restricts U.S. wheat imports into Brazil, but that the lack of ways and means of paying for increased wheat imports is the principal barrier. This is probably true in the other Latin American countries. Brazil has a population of 75 million people and is presently consuming only 2.1 million tons of wheat annually, importing all but 100,000 tons of this quantity. Wheat imports are limited by her ability to pay for increased volume and have little relation to real needs or actual wheat consumption possibilities. Our studies show a potential wheat consumption in Brazil of 4,440,000 tons of wheat annually by 1966, provided she had the means of paying for the additional volume. Brazilian officials have indicated their willingness to purchase additional U.S. wheat using a substantial part of the receipts from sugar exports to the United States as a means of supporting a higher consumption level.

This principle of reciprocity is clearly stated in the March 31, 1961, amendment to the present Sugar Act under section 408 providing a basis for allocating discretionary nonquota sugars, which states—

except that special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

Brazil is now the largest Latin American importer of U.S. agricultural products and in 1961 imported more U.S. wheat as well as more total wheat than all the other Latin American countries combined.

A program involving trade reciprocity has been under discussion with Brazil for some time. We are at liberty to inform the committee that the Brazilian Government accepts, in principle, the purchase of additional U.S. wheat with receipts from sugar sales to the United States, and further, that the Brazilian Embassy is confirming, through proper diplomatic channels, their willingness to undertake a 5-year program on this basis and requesting a basic sugar quota under the new act as a means of accomplishing this objective.

At this point, Mr. Chairman, we respectfully request permission to file documentary information on this subject with our supplemental report.

The CHAIRMAN. Without objection, you may file that in the record.

Mr. HATHORN. The basis for increasing U.S. wheat exports to Brazil will be fully covered in our supplemental report, which will be made available to the committee. It is a long-range proposal for gradually increasing the consumption of U.S. wheat over a period of 5 years. The scheduling of annual increases in imports of U.S. wheat is based on the assumption that Brazil will be assigned a substantial basic sugar quota under a new sugar act.

Brazil is now importing 2 million tons of wheat annually from the United States under Public Law 480, cash purchases and barter; from Argentina; and from the U.S.S.R. The proposal for additional wheat contemplates an increase of 600,000 metric tons in 1962, with a maximum of 2,340,000 tons in 1966.

Their proposal does not replace supplies from Argentina; Public Law 480, barter and present cash purchases from the United States; or other sources. It is additional consumption. If the targets are reached Brazil would consume 18,830,000 metric tons of wheat over the 5 years, 1962–66, with 11,380,000 tons of this volume coming from the United States. The 11,380,000 tons of U.S. wheat at $70 per metric ton is equivalent to $796,600,000, or an annual average of $159,320,000, approximately 50 percent cash sales. Based on present national average U.S. wheat yields of 24 bushels per acre (37 bushels per metric ton), the sales to Brazil over the 5 years, 1962–66, would utilize the production of more than 3 million acres annually.

It is recognized that the trading feature alone is not an overriding objective of the act. Therefore, we must emphasize again that Brazil first of all is a dependable and stable supplier of sugar in the Western Hemisphere, logistically and favorably located to supply the requirements of the United States in fulfillment of the objectives of the act. She has, in the Sugar and Alcohol Institute, an organization which has been in existence for 30 years, democratically representing all segments of the Brazilian economy. The institute is already directing, by decree, net receipts obtained from sugar sales to the benefit of the people of Brazil. Specifically targeting the Alliance for Progress, Brazil is showing active leadership in the implementation of the program.

We respectfully submit our statement and supplemental report on Brazil to the committee for its consideration. A basic sugar quota for Brazil within the new act would promote the export trade of the United States and would assure the United States a stable source of foreign sugar.

(The exhibits follow:)

LIST OF EXHIBITS

I. Translation of Fund Decree No. 156, November 17, 1961, of the Sugar and Alcohol Institute which outlines the steps taken to establish a fund for the consolidation and development of economic and social programs for workers in the sugar and sugarcane industry.

II. Map showing the production of sugar in the principal States of Brazil.

III. Map showing northeast Brazil, a poverty-ridden but important sugar-producing area. This northern sector now under Brazil's development program Operation SUDENE, as well as principal concern of Alliance for Progress.

IV. Map graphically showing location of mills, sugar exports and exports by the principal ports of Brazil. This map shows theoretical monthly loading capacity: Recife, 120,000 tons; Maceio, 52,000 tons; Santos, 90,000 tons.

V. Chart—Brazil: Largest importer of U.S. agricultural commodities in Latin America in 1961.

VI. Chart—Brazil: Largest importer of U.S. wheat among Western Hemisphere countries receiving nonquota sugar allocation in 1961.

VII. Chart—Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined.

VIII. Chart comparing Brazil's wheat consumption with other nations, demonstrating the reasonableness of the target expanding wheat consumption in Brazil during next 5 years.

IX. Summary charts showing Brazil's position as a wheat importer among certain Western Hemisphere countries.

X. Table—Projection of foreign supplies available to the United States on various price assumptions to 1970 as reported by the Special Study Group on Sugar of the U.S. Department of Agriculture, prepared at the request of the House Committee on Agriculture.

EXHIBIT I

[Decree No. 156, Nov. 17, 1961]

TRANSLATION OF FUND DECREE

Establishes in the Sugar and Alcohol Institute a fund for consolidation and development of the sugarcane and sugar industry and sets forth other provisions

Article 1. The fund for consolidation and development of the sugarcane and sugar industry is hereby created in the Sugar and Alcohol Institute, and will be administered by that Institute.

Article 2. The fund will be composed of—

(*a*) The net receipts of the contribution of Cr$50,00 per bag of sugar, as per Resolution A–1588 as of September 21, 1961, of the Executive Commission of the Sugar and Alcohol Institute, or of contributions set for this purpose in the annual plans for defense and balance of the cane harvest according to articles 148 and 149 of Decree-Law N–3855 of November 21, 1941.

(*b*) The net receipt from sugar export operations during 1961 under the provisions of Decree A–51104 of August 1, 1961.

(*c*) The balances resulting from the differences between official sugar prices, plus export expenses and the value of general sugar exports.

(*d*) Other resources resulting from transfers, appropriations, or donations from public or private sources of any kind, as well as balances of specific funds which may be transferred or incorporated by decision of the Executive Commission of the Sugar and Alcohol Institute to meet the purposes of the fund.

Article 3. The resources of the fund will be used for the following purposes:

(*a*) To finance or serve as guarantee of financing contracts for sugar to be exported, in order to assure coverage of possible differences between Official prices in the internal market and the export sale price.

(*b*) To guarantee financing from internal and external sources, within legal requirements, to finance or carry the cost of the execution of a program for consolidation and development of the sugarcane and sugar industry and the circulation and marketing of production, as well as the training of technical personnel.

(*c*) To carry out a social assistance program for workers in the sugarcane and sugar industry, including, among others, the following points:

1. Food and clothing at cost through cooperatives, canteens, or other entities.

2. Free primary and professional education.
3. Hygiene and health through medical assistance and hospitalization.
4. Adequate housing.

(*d*) To promote programs of economic, agricultural, and industrial research.

Article 4. The preparation of programs referred to in letters (*b*), (*c*), and (*d*), of the previous article, shall meet—

(*a*) Immediate problems by means of an emergency plan;

(*b*) Medium-term problems by means of a 5-year plan; and

(*c*) Long-term problems within the coordinated economic and social development plan of the Government.

Paragraph 1: The emergency plan referred to in this article, shall give priority consideration to, among other aspects, the financial and technical situation of the mills.

Paragraph 2: The Sugar and Alcohol Institute is authorized to contract technical and professional services of specialists and public and private entities as needed for the preparation of the above-mentioned programs.

Article 5. The programing, as part of the Government's general plan for economic and social development, shall meet the goals of the sugarcane and sugar industry according to priorities intended to correct regional economic unbalances, especially in the Northeast.

Paragraph 1: Once the cited program has been prepared, it will be submitted to the Executive Commission of the IAA for its approval, and subsequent concurrence by the Ministry of Industry and Commerce.

Paragraph 2: Plans and projects elaborated in accordance with the provisions of articles 4 and 5 will also be submitted to the Executive Commission for approval.

Article 6. In each 5-year period, a minimum of 20 percent of the fund's net resources shall be applied, directly or through agreements with legally constituted entities (public or private), in the execution of the social assistance program for workers of the sugarcane and sugar industry as mentioned in article 3, item (*c*), together with specific budgetary resources.

Article 7. The budget for investment of the receipts of the funds as formed in each harvest, and within the provisions of article 3 of this decree, shall be allotted as follows:

(*a*) Up to 80 percent of the fund's financial resources may be used to guarantee the execution of export financing contacts (art. 3, letter (*a*)).

(*b*) The balance of the resources will be used for the programs referred to in letters (*b*) and (*d*) of article 3, but only after at least 20 percent, according to provisions of article 6, has been set aside for use in the social assistance program for workers of the sugarcane and sugar industry (art. 3, letter (*c*)).

Article 8. At the end of the agricultural year and at the time the production plan for the next crop is prepared, a balance sheet of the disposable resources remaining for investment in the subsequent period should be prepared, including the estimated revenue to be received, in order to orient the distribution of the total resources, according to provisions of the previous article.

Article 9. The balance sheet referred to in the previous article and the budget for operation of the program which is to be prepared periodically in accordance with article 4, as well as the accounts of the fund, will be submitted for approval to the Executive Commission of the IAA, as permitted by its legal attributes, the budget being designed to permit adaptation to the program.

Article 10. The balance sheet of the fund will be submitted annually to the Executive Commission of the IAA for examination and approval, and later transmittal to the Federal Court of Accounts (Tribunal de Contas).

Article 11. Within 60 days the Executive Commission of the IAA will submit regulations for this decree to the Minister of Industry and Commerce for approval.

Article 12. Decree N–51104 and N–51148 of August 1 and 5, 1961, respectively, as well as any other provisions to the contrary, are hereby revoked.

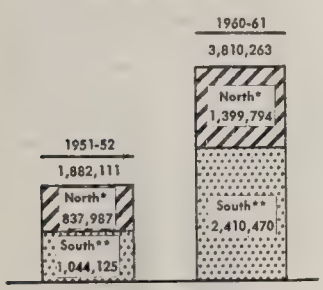
Article 13. This decree shall become effective on the date of its publication.

EXHIBIT II

SUGAR PRODUCTION, PRINCIPAL STATES OF BRAZIL
1960-1961
3,810,263 Short Tons, Raw Value



PRODUCTION GROWTH
Short Tons, Raw Value

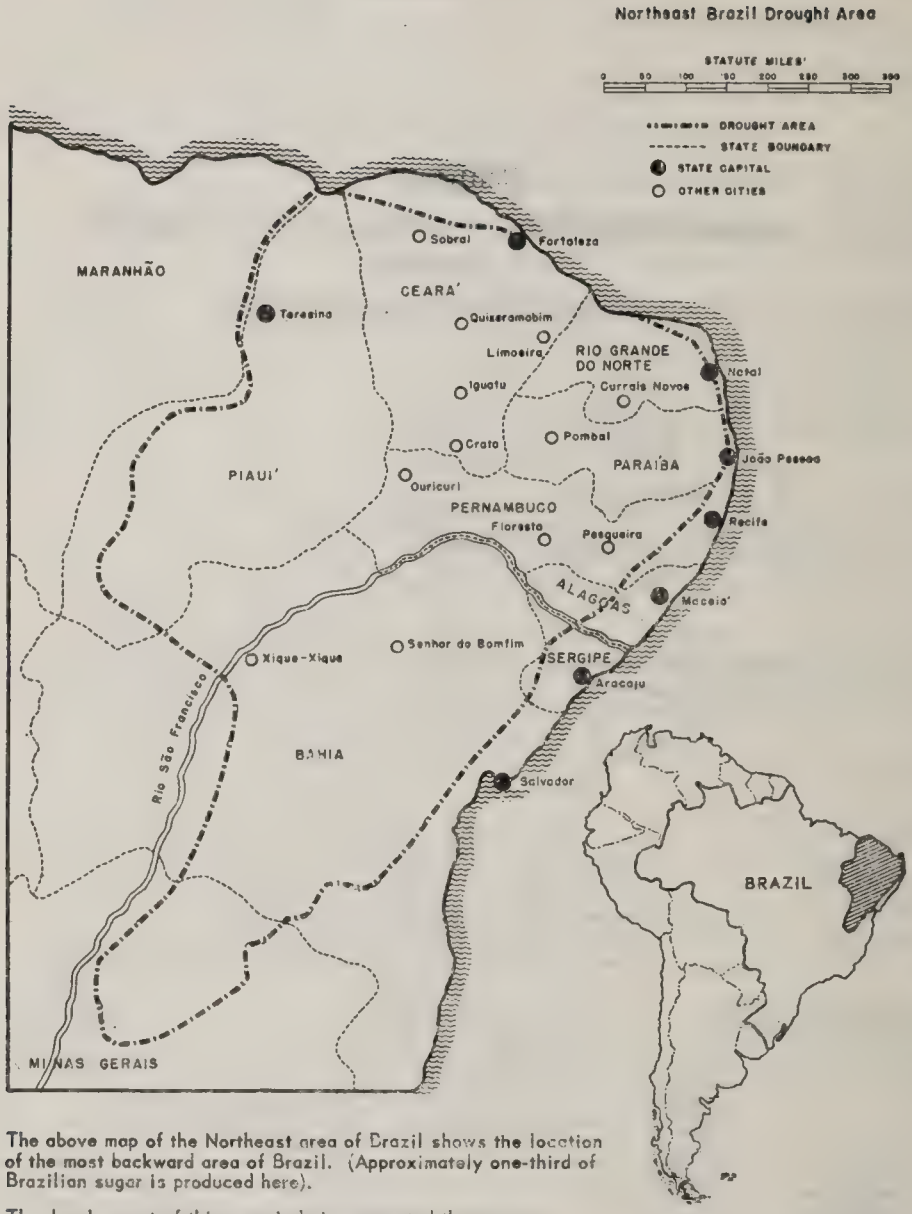


*Production From September to April.
**Production From June to December.

PRODUCTION 1960-1961

	Short Tons (Raw Value) Thousands	Percent of Total
ALL BRAZIL	3,810	100.0
NORTH*	1,399	36.7
Rio Grande do Norte	19	.5
Paraíba	45	1.2
Pernambuco	886	23.3
Alagoas	314	8.2
Sergipe	55	1.4
Bahia	74	2.0
Others	3	.1
SOUTH**	2,410	63.3
Minas Gerais	140	3.7
Espírito Santo	14	.4
Rio de Janeiro	470	12.3
São Paulo	1,680	44.1
Paraná	85	2.2
Santa Catarina	16	.5*
Others	3	.1

Exhibit III



The above map of the Northeast area of Brazil shows the location of the most backward area of Brazil. (Approximately one-third of Brazilian sugar is produced here).

The development of this area is being promoted three ways:

1. With the support of the United States AID Agency,
2. Through Brazil's self-help efforts contained in the SUDENE* Program supported by President Kennedy,
3. Brazil's self-help through the sugar fund resources:
   (a) A tax of Cr.$ 50 per bag for sugar
   (b) A skimming of the premium on U.S. sugar exports

*SUDENE - Superintendency for the Development of the Northeast (Superintendencia do Desenvolvimento do Nordeste), was established by Congressional action in December 1959.

In May 1961, Brazil's President pledged substantial government aid to the Northeast. This agency was granted not less than 2% of the tax revenues of the Federal Government as well as supervisory powers over the expenditure of government agencies operated in the Northeast.

The SUDENE program covers about one-third of the Population of Brazil

EXHIBIT IV

SUGAR MILLS LOCATION IN BRAZIL
368 Mills - Export by Area 1958-1961

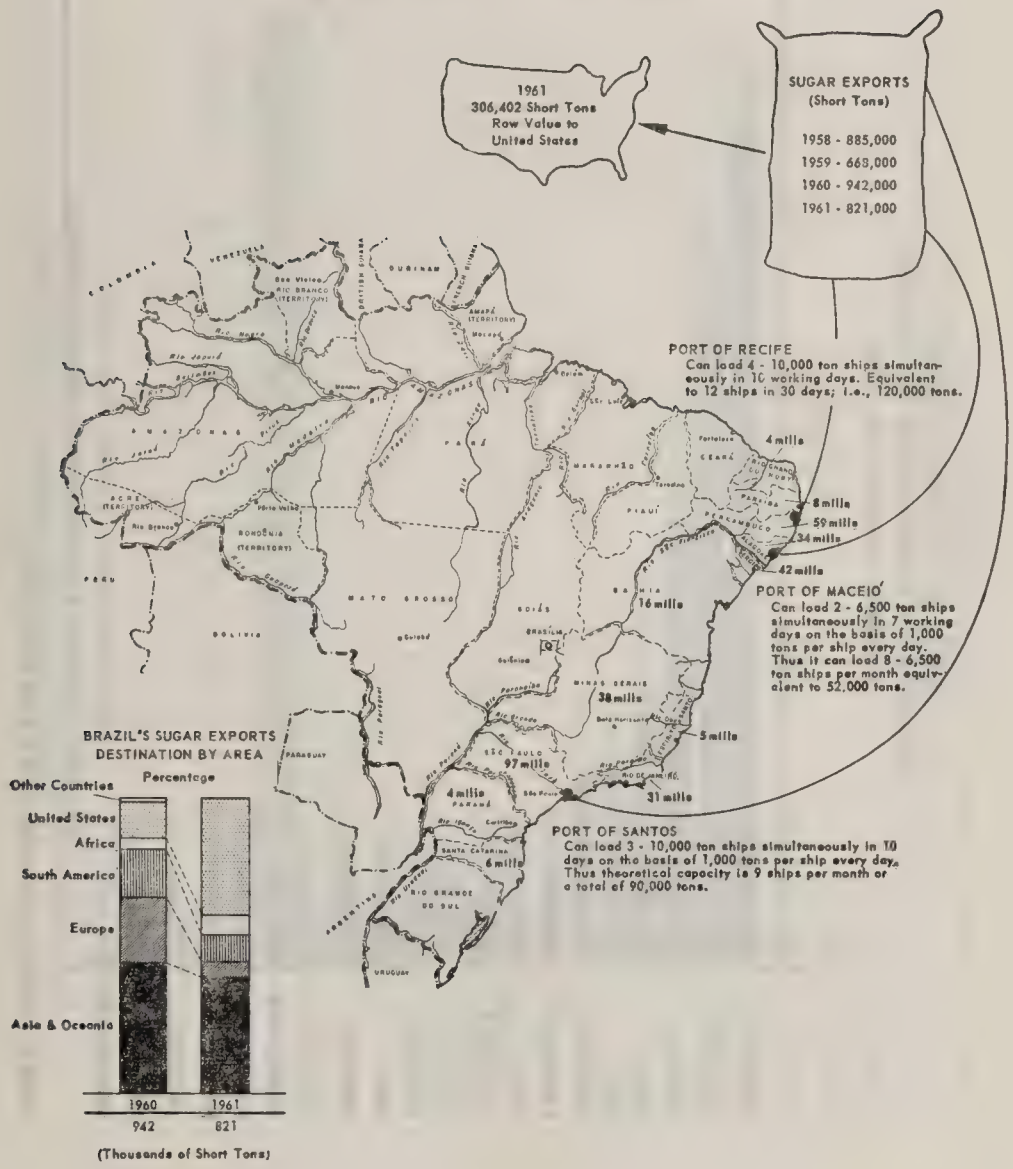
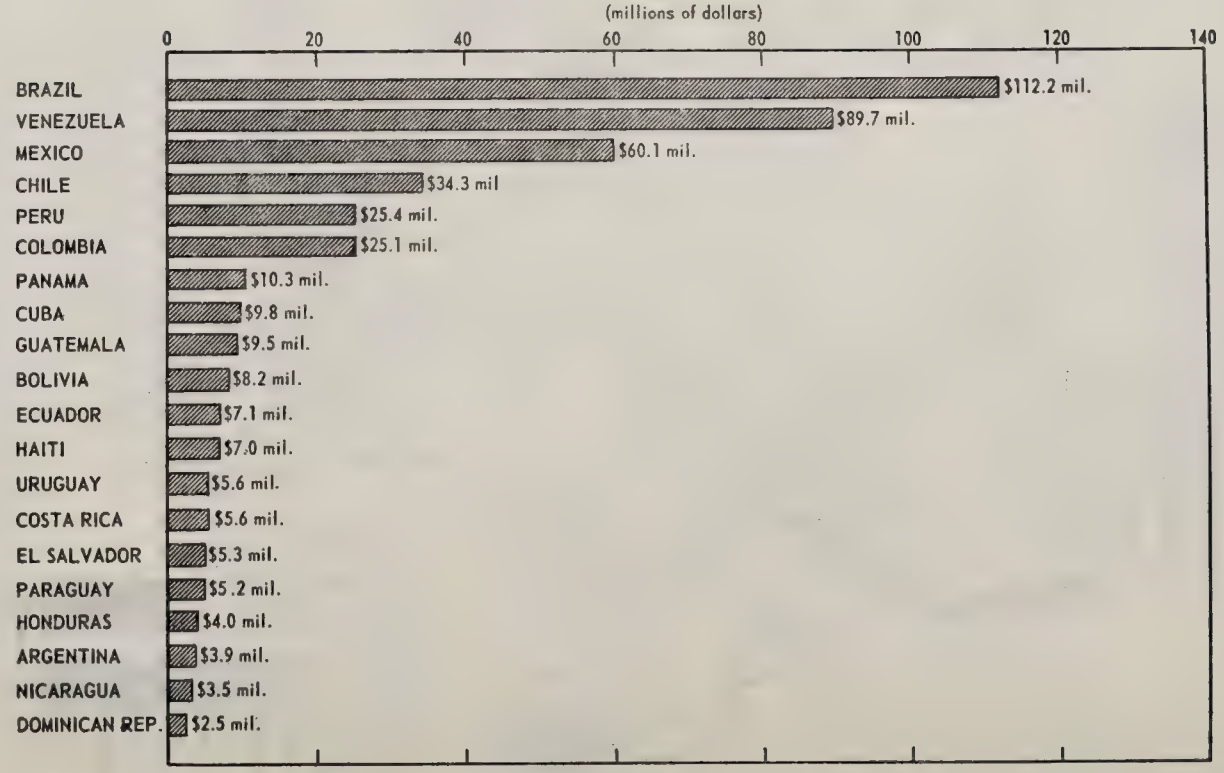


EXHIBIT V

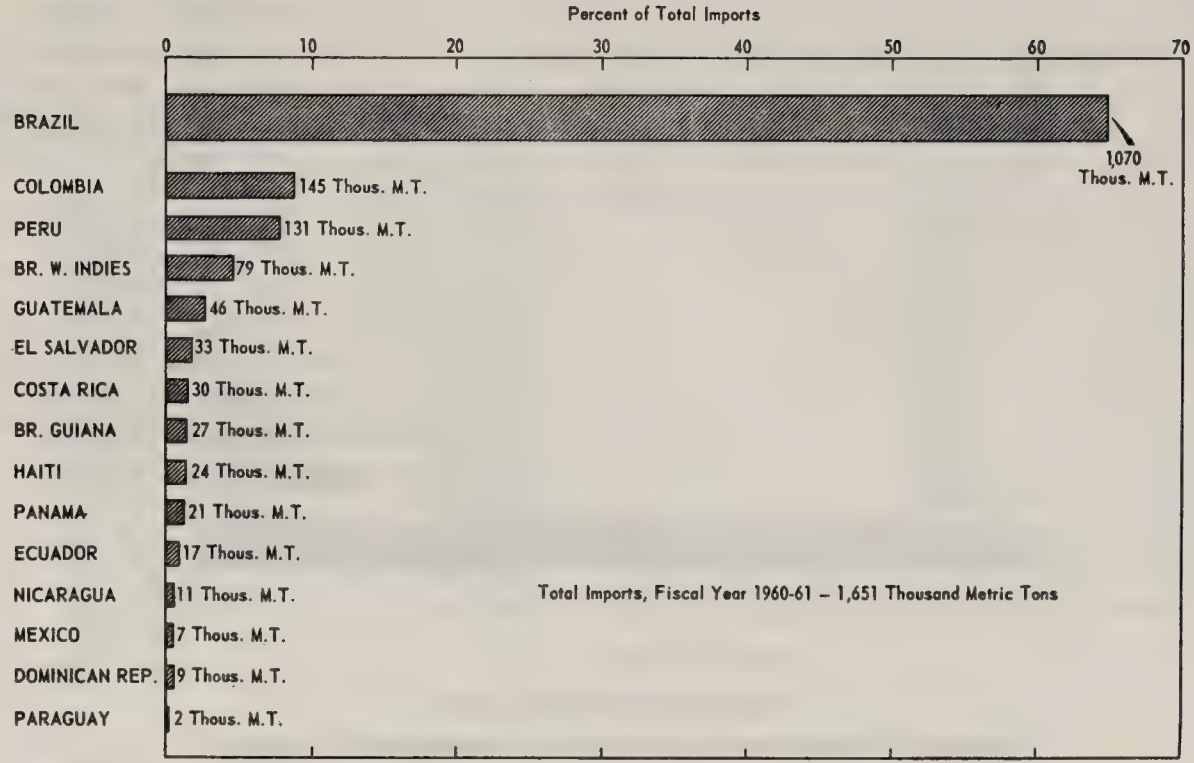
Brazil was the Largest Importer of United States Agricultural Commodities in Latin America—in 1961



SOURCE: Foreign Crops and Markets, U.S.D.A. March 5, 1962 - page 22.

EXHIBIT VI

Brazil is the Largest Importer of U.S. Wheat* Among the Western Hemisphere Countries Receiving Non-Quota Sugar Allocations in 1961

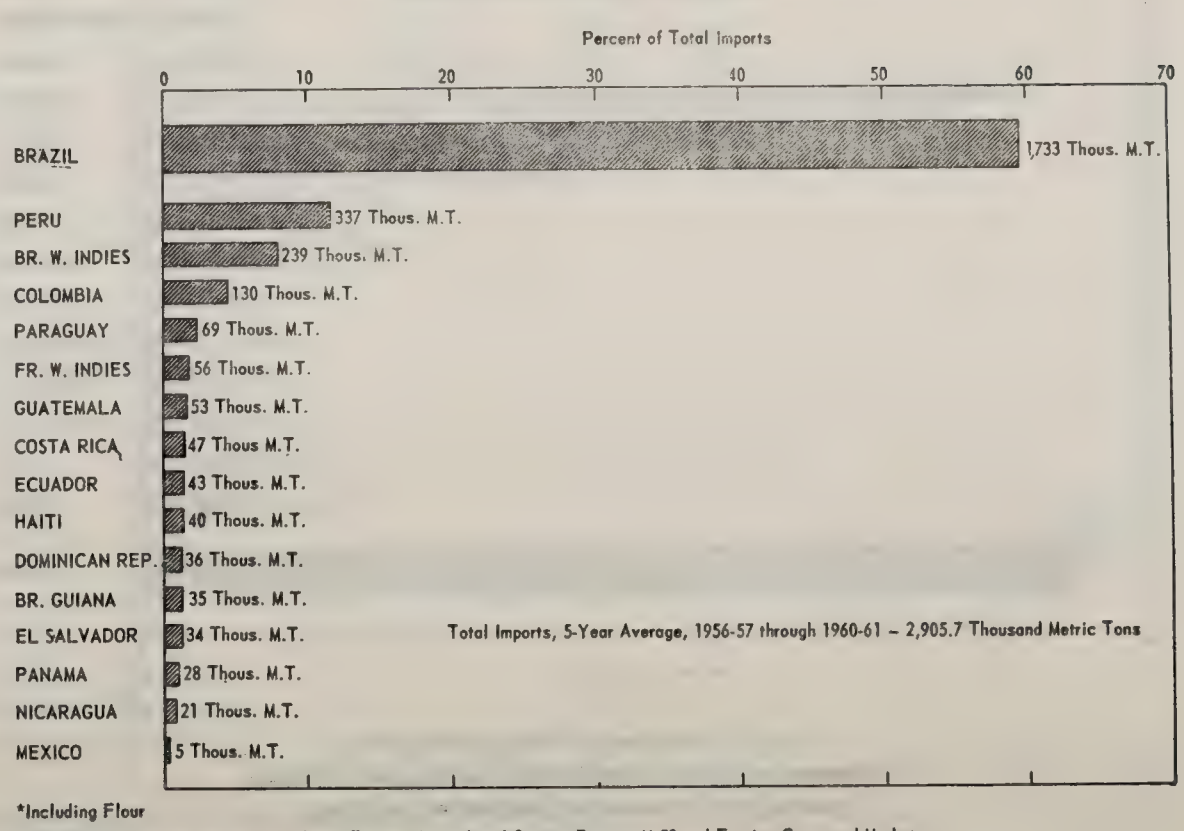


*Including Flour

SOURCE: U.S. Department of Agricultural Service Reports M-53 and Foreign Crops and Markets.

EXHIBIT VII

Brazil Alone Imports More Wheat Than the Balance of the Western Hemisphere Countries Below Combined

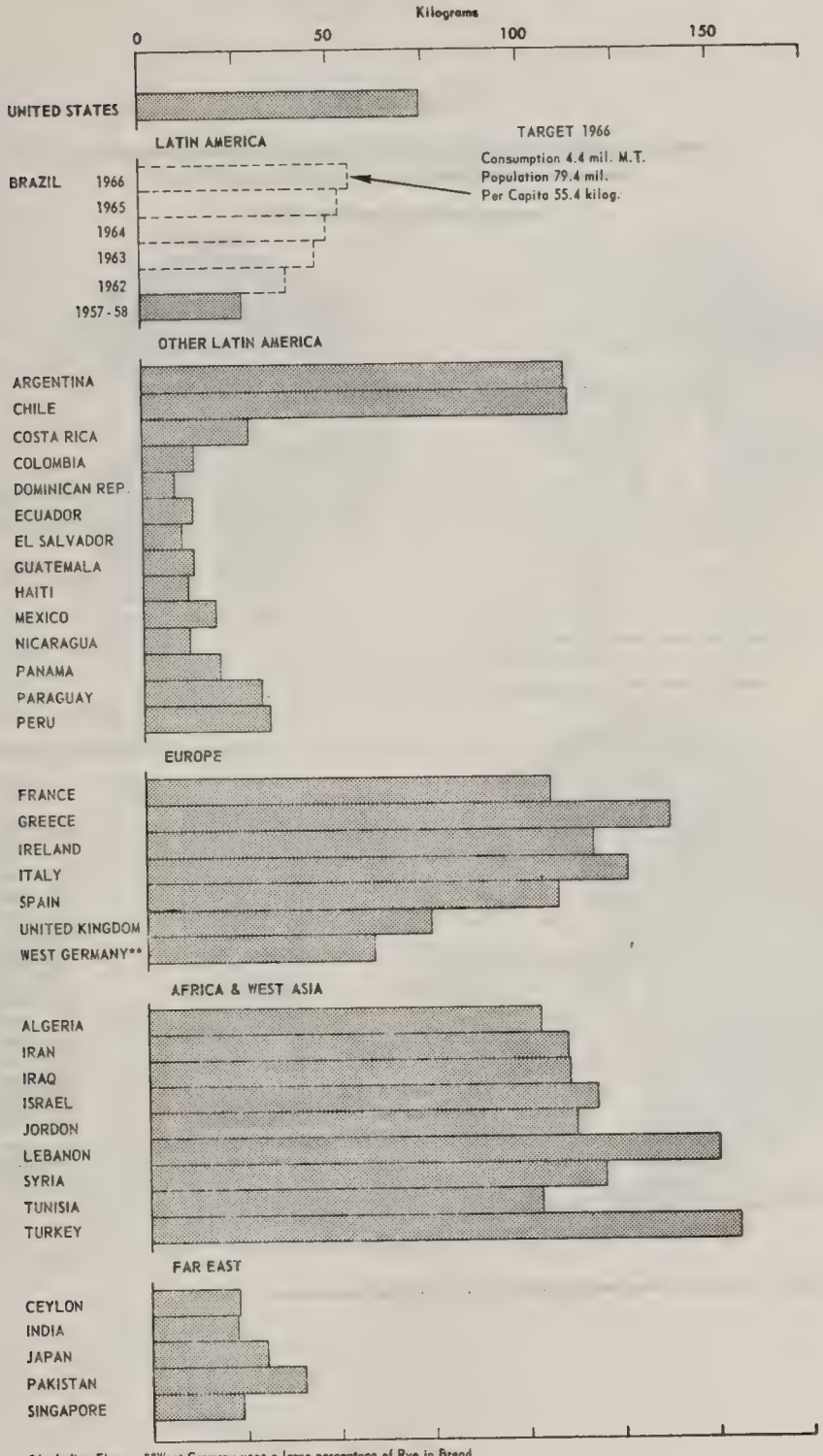


*Including Flour

SOURCE: U.S. Department of Agriculture, Foreign Agricultural Service Reports M-53 and Foreign Crops and Markets.

EXHIBIT VIII

Wheat*—Per Capita Consumption 1957-58



*Including Flour **West Germany uses a large percentage of Rye in Bread.

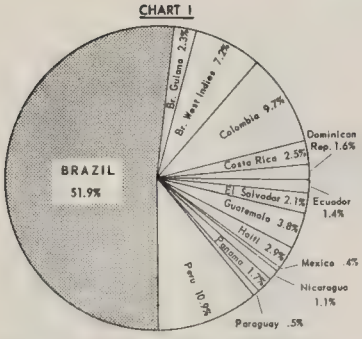
SOURCE: Foreign Agricultural Service, U.S. Department of Agriculture

EXHIBIT IX

Brazil is the Largest Importer of U.S. Wheat Among the Western Hemisphere Countries Receiving Non-Quota Sugar Allocations in 1961

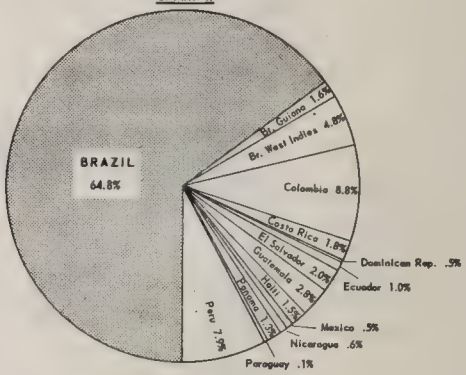
IMPORTS OF WHEAT FROM THE UNITED STATES*

CHART I



5-Year Average, 1956-57 through 1960-61 – 1,218,000 Metric Tons

CHART II

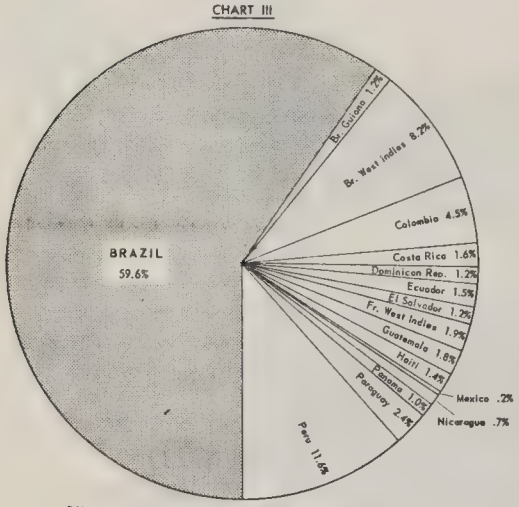


Fiscal Year 1960-61 – 1,651,000 Metric Tons

Brazil alone imports more wheat than the balance of the Western Hemisphere countries below combined.

IMPORTS OF WHEAT FROM ALL COUNTRIES*

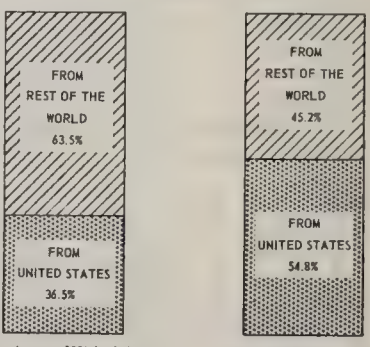
CHART III



5-Year Average, 1956-57 through 1960-61 – 2,905,700 Metric Tons

BRAZILIAN IMPORTS OF WHEAT-ALL SOURCES*

CHART IV



5-Year Average, 1956-57-1960-61
1,733,000 Metric Tons

1960-61
1,950,000 Metric Tons

*Including Flour

SOURCE: U.S. Department of Agriculture, Foreign Agricultural Service Reports M-53 and Foreign Crops and Markets

EXHIBIT X

TABLE 7.—*Centrifugal sugar: Projections of foreign supplies available to the United States under various price assumptions, 1970* [1] [2]

[1,000 short tons, raw value]

Country	A (25 percent lower)	B (no change)	C (25 percent higher)
U.S. quota holders: [3]			
Costa Rica	30	40	45
Dominican Republic	500	600	700
Haiti	10	30	35
Mexico	600	700	900
Nicaragua	35	55	65
Panama	10	15	20
Peru	300	350	450
Philippines	1,000	1,500	1,600
Taiwan	350	450	550
Total, U.S. quota holders	2,835	3,740	4,365
Central and South America:			
Argentina	110	250	325
Brazil	1,500	1,900	2,300
Colombia	0	15	20
Ecuador	50	60	70
El Salvador	6	18	20
Guatemala	15	25	30
Paraguay	10	20	25
Total, Central and South America	1,691	2,288	2,790
Commonwealth:			
Australia	500	700	1,000
Fiji	100	200	300
British Guiana	150	200	250
British Honduras	20	30	35
Federation of West Indies	225	300	400
India	100	200	300
Mauritius	175	200	225
Union of South Africa	225	325	425
Total, Commonwealth	1,495	2,155	2,935
West Europe:			
Belgium	15	50	75
Denmark	35	60	70
France and territories	75	200	300
Germany, West	65	75	100
Ireland	10	10	15
Italy	0	0	75
Netherlands	35	60	70
Total, West Europe	235	455	705
Other:			
Indonesia	0	0	100
Turkey	50	100	125
Total, other	50	100	225
Grand total	6,306	8,738	11,020

[1] Projections of foreign supplies available to United States are based on specific assumptions. See text, p. 62, for statement of assumptions.

[2] Price assumptions relate to U.S. import prices in relation to 1959 levels.

[3] Excludes United Kingdom, Canada, and Hong Kong. British Guiana, Belgium, and the Netherlands, which also have small U.S. quotas, are shown in other groupings.

Source: Sugar and Tropical Products Branch, FAS, USDA, Dec. 15, 1960.

(The supplemental information follows:)

[Enclosure No. 1]

SUPPLEMENTAL INFORMATION TO CONFIRM THE STATEMENT OF ALBERT S. NEMIR ON BEHALF OF THE BRAZILIAN SUGAR ALCOHOL INSTITUTE OF THE BRAZILIAN GOVERNMENT'S WILLINGNESS TO COMMIT THE PROCEEDS OF SUGAR FOR WHEAT UNDER A 5-YEAR PROGRAM, AS REFERRED TO IN THE STATEMENT OF ALBERT S. NEMIR BEFORE THE COMMITTEE ON AGRICULTURE HEARINGS ON H.R. 11730

(A true copy of the official confirmation of Brazil's commitment as transmitted to the Department of State on May 25, 1962, is reproduced below:)

[No. 197/842.6(42)(22)]

The Brazilian Embassy presents its compliments to the Department of State and has the honor of submitting the following:

2. During the past 2 years studies have been made both in the United States and in Brazil regarding the possibilities and the advisability of expanding the consumption of wheat in Brazil and of expanding exports of sugar from Brazil to the United States.

3. In December 1961, during the discussions held by the President of the Sugar and Alcohol Institute of Brazil, Ambassador Barbosa da Silva, with officials of the Departments of State, Agriculture, and the Treasury and the food-for-peace and AID agencies, a number of possible formulas were examined and, subsequently, a letter from the Brazilian Ambassador in Washington was sent, January 3, 1962, to officials of the above-mentioned sectors of the U.S. Government, summarizing Brazilian views with an attached memorandum outlining proposals for the first semester of 1962 and for the long-range period.

4. On February 12, 1962, the Department of Agriculture announced that "some importation of sugar would be authorized from countries agreeing to purchase additional U.S. agricultural commodities" (USDA 552–62) and on March 12, 1962, the Embassy submitted, in its note No. 82, a proposal for the sale, in the first semester of 1962, of up to 300,000 metric tons of sugar against purchases of wheat, the total f.o.b. value of which would be the total f.o.b. value of sugar authorized for import. On April 19, 1962, an agricultural trade agreement was signed, providing for the importation by the United States of 50,000 short tons of Brazilian sugar and the purchase by Brazil of 85,000 metric tons of wheat from the United States.

5. In the meantime, during President Goulart's recent visit to Washington, a request for the negotiation of a long-term agreement for the supply of U.S. Public Law 480 wheat to Brazil was examined at the highest levels with U.S. officials and was favorably received by President Kennedy. Similarly, on that occasion, Brazilian expectations regarding access to the U.S. sugar importing market were emphasized.

6. In line with the action mentioned in the above paragraphs and having in mind the relatively close date of expiration of the "Sugar Act of 1948, as amended," discussions were engaged in between representatives of Brazilian sugar interests and U.S. wheatgrowers which resulted in an agreeable formula for relating purchases of U.S. wheat by Brazil to sales of Brazilian sugar to the United States consistent with the export and supply management objectives of United States and Brazil wheat and sugar interests. A copy of the memorandum of understanding outlining such a formula is attached.

7. The memorandum indicates the basis of a 5-year program af parallel transactions in United States wheat and Brazilian sugar, setting up a target for purchases of United States wheat by Brazil during 1962–66 at 11,380,000 metric tons (assuming consumption increases at the rate of 10 percent per year) and a target for sales of Brazilian sugar to the United States at 776,000 short tons per year during the same period.

8. As indicated in paragraph 6 of the formula outlined in page 8 of the attached memorandum, its provisions were to be submitted to the concerned agencies of the Brazilian Government. The program has been approved in principle and the Embassy has been instructed to notify the proper agencies of the United States Government of the Brazilian Government willingness to negotiate a 5-year agreement to purchase wheat from the United States along the lines of the above-mentioned formula, under the assumption that the system of quotas by countries now prevailing in the Sugar Act may be preserved and that Brazil be granted a substantial basic quota.

9. It is understood that the 5-year program would have to be readjusted to the extent that (*a*) the amount, nature, or duration of the sugar quotas attributed to Brazil differ substantially from what is envisaged in the program; (*b*) changes in Public Law 480 or the availability of wheat to Brazil under the different titles of that law make it incompatible with the implementation of the program; (*c*) the actual experience in Brazil regarding the rate of increase in wheat consumption under conditions of free availability does not correspond to the targets of the program (by free availability what is meant is the suspension of restrictions to imports but no undertaking to artificially stimulate consumption).

10. In the event that Brazil is not granted a quota in the amount envisaged in the program, Brazil would still be willing to earmark a part of the proceeds of the sales of sugar to the purchase of U.S. wheat in order to implement a program.

11. It is to be hoped, however, that the amount of the sugar exports to the United States will be of a level compatible with the large-scale scope of a mutually beneficial program and it is felt that adequate implementation will be achieved if the United States prefers to establish the Brazilian basic quota in an amount in excess of, or in the order of, 300,000 or 400,000 short tons.

12. The purpose of the program is to provide the means of permitting Brazil to gradually come to an adequate level of consumption of wheat by expanding imports from the United States over and above present levels without interfering with the present or projected pattern of purchases from other sources and, at the same time, preserving a margin for the development of domestic production.

WASHINGTON, *May 25, 1962.*

[Enclosure No. 2]

POSITION PAPER ON BRAZIL—IN RESPONSE TO QUESTIONS ASKED BY COMMITTEE MEMBERS

I. GENERAL CONSIDERATIONS

(1) The tradition of friendship between the United States and Brazil is long and unbroken. If there is to be any real progress in Western Hemisphere relationships and development, the continued cooperation and friendship of these two great nations—the largest in the Western Hemisphere—must be maintained and strengthened.

A test of friendship is a nation's willingness to stand beside her friends in times of crisis. The 200,000 Brazilian troops represented over 50 percent of all Latin American forces in World War II battlefields, and is stark evidence of the comradeship between these two great friends.

(2) Brazil is one of the leaders in the Alliance for Progress. She was first to suggest the vision, in 1958, of the need for cooperative effort in the development of social and economic programs for American Hemisphere solidarity.

(3) The United States has been very helpful to Brazil through Public Law 480, economic decelopment programs, grants, and loans—but Brazil would much rather have assistance in the form of mutually beneficial trade than aid in the form of loans, grants, and special aids.

(4) Fortunately, there are major products of both countries which are noncompetitive. The United States is the world's greatest producer of wheat. Brazil produces almost no wheat, but is a large, efficient producer of cocoa, coffee, and sugar—of which the United States imports all, or a substantial portion of its needs.

Brazil also needs to import feed grains, fats and oils, dairy products, and many other products of U.S. farms. Brazil, with its 75 million population, can be the largest oversea single market for American agricultural products, and will be, if it can get the foreign exchange to purchase these products.

(5) A substantial sugar quota would help to provide this foreign exchange and the Brazilian Government is ready to make a formal commitment that about 66.7 percent of all the dollars received from the sale of sugar will remain in the United States for the immediate purchase of additional wheat.

II. BRAZIL QUALIFIES UNDER ALL THE CRITERIA OF THE SUGAR ACT

(1) Capacity to produce (protection of U.S. consumers).

(*a*) Largest producer of sugar in free world 1961–62. In short tons, raw value, Brazil, 4,103,000; compared with: Mexico, 1,835,000; Dominican Republic, 1,050,000; Peru, 965,000; Philippines, 1,601,000; and China (Taiwan), 942,000.

(*b*) 368 mills; 50,000 small- and medium-size farms supplying one-half production of Brazil; 70,000 mill workers, 250,000 sugarcane workers, involving directly 1¼ million persons.

(*c*) Almost unlimited capacity for expansion—with mill restriction now in effect, produces 4,103,000—with separate crops in the north and south can produce more now.

The contention that the United States must go on to the world market to assure its sugar supplies is without merit. If the Congress should decide, Brazil alone could supply all the sugar previously obtained from Cuba. Brazil not suggesting this—believe quota should be distributed equitably among all Western Hemisphere countries with Brazil receiving an allotment consistent with its ability to produce and its important place in the Western Hemisphere.

(2) Develop foreign trade.

(*a*) Brazil largest importer of U.S. agricultural products in Latin America. Brazil's purchases of $112.2 million of U.S. agricultural commodities in 1961 exceeded the combined purchase of U.S. agricultural commodities of those countries in Latin America who are basic sugar quota holders. See chart V, attached, for comparison with other countries.

(*b*) Brazil largest user of wheat in Latin America—Brazil purchases 1,733,000 metric tons yearly, or 59.6 percent of total wheat imports into Latin America (average of 5-year period, 1957–61). See chart VII, attached.

(*c*) Brazil has confirmed commitment to use sugar dollars to buy additional U.S. wheat with the intent of making this a permanent dollar market for wheat.

(3) Further the cause of democracy in the Western Hemisphere.

(*a*) Sugar exports from Brazil all handled by Government agency comparable to Canadian Wheat Board.

Net receipts of Brazil's revenue from sugar assigned by decree enacted in November 1941 and recently further implemented, primarily aimed at the development of the northeast problem area—land reform, housing, public facilities, and other needed social and economic reforms including renovation of the sugar mills to enable them to improve labor productivity, wages, and working conditions.

(*b*) The northeast, consisting of 25 million population, with average income level among lowest in Latin America, is the great problem area of South America. No other country, except Aregntina, even approaches this population. Brazil, bordered by 11 countries in South America, making her a prime target for infiltration by Communist influence and Communist pressures, is already attacking the problem but needs help of substantial sugar quota in order to accelerate efforts to improve social and economic conditions to give political stability to the area.

(*c*) In the case of Brazil, the United States has complete assurance that any benefits from sugar sales to the United States will go to advance the social and economic standing of workers and others throughout Brazil.

(4) Concern regarding expropriation.

The question has been raised concerning the expropriation of Companhia Telfonia Nacional (CTN) by the State of Rio Grande do Sul, Brazil. CTN is a U.S.-owned property by ITT. The telephone case is comparable to the United States exercise of power of eminent domain and an equitable settlement of the *ITT* case is now being worked out in court. The press release by the Brazilian Embassy, Washington, D.C., dated March 1, 1962, was read into the record of the committee at the May 21, 1962, hearing, and was concerned with fair compensation for ITT property.

In addition to the March 1 press release from the Brazilian Embassy in Washington, D.C., concerning fair compenation for ITT property, a second press release of May 9, 1962, which is attached, concerning expropriation in Brazil, has been issued giving information that further emphasizes Brazil's position. It points out that an Executive decree, dated March 27, 1962, has been issued prohibiting expropriation seizure, dismemberment, or freezing of assets of any

company engaged in interstate service without prior approval by the National Security Council and a prior hearing of the Minister of Communication. This decree, therefore, prohibits by law any further seizures by autonomous state action. This significant step is further evidence of Brazil's sincerity and her desire to protect the rights of foreign investors in Brazil.

III. BRAZIL OFFERS STABILITY OF SUPPLY

The United States must have stability of supplies in the Western Hemisphere in order to protect U.S. consumer needs, under variable conditions.

1. Brazil is the only friendly country in the Western Hemisphere that can respond with promptness to meet U.S. demand for rapidly changing needs of sugar should an outbreak of trouble occur in the troubled area of the Far East and cut off those supplies.

2. Brazil's year-end stocks on December 31, 1961, were twice as high as Cuban carryover stocks on the same date and are more than five times the amount of the combined stock of Mexico, the Dominican Republic, and Peru, the three major Western Hemisphere suppliers of the United States under the present Sugar Act. Year-end stocks in the Philippines and China, by way of comparison, are also very low and, being 6 or 7 weeks away from the United States, offer limited stability to meet U.S. emergencies. The following comparative figures show Brazil's position of importance as the major friendly Western Hemisphere producer of sugar.

[Short tons, raw value]

Country	Production, calendar year 1961	Stocks, Dec. 31, 1961
Brazil	3,857,258	1,377,799
Mexico	1,710,825	188,231
Dominican Republic	1,003,599	96,955
Peru [1]	920,000	86,835
Nicaragua [2]	[3] 80,500	[4]
Haiti [2]	[3] 68,964	[4]

[1] 1961, based on Sept. 30, 1961, production and stocks.
[2] No information given for 1961 production and stocks.
[3] 1960.
[4] Not available; estimate 10,000.

Source: March 1962 International Sugar Council Statistical Bulletin.

3. Brazil is the only friendly country in the Western Hemisphere whose stocks can be reduced very substantially (over 500,000 tons) without affecting the orderly flow of sugar and endangering her consumer interests. Brazil produces sugar virtually the year round from two crops, one in the northeast and one in the south. She has surplus cane in the field and limitations on mill production. Her current export level of 800,000 tons can be increased immediately by an additional 500,000 tons without the necessity of waiting for mills to produce additional sugar.

4. Brazil assures precisely the kind of protection and stability, through a production that can be rapidly expanded and large reserve stocks, that Cuba formerly offered to make certain that the Sugar Act would operate properly and in an orderly fashion.

I. Regulation of the Brazilian Sugar Industry by the Federal Government of Brazil Through the Brazilian Sugar and Alcohol Institute

1. BRAZILIAN SUGAR AND ALCOHOL INSTITUTE

The Sugar and Alcohol Institute of Brazil was established by the Federal Government in 1930 in order to assure the balanced and orderly growth of sugar production. Conditions which existed in the early thirties are well known to the sugar world. In fact, the depressed conditions at that time led to the passage by the Congress of the United States of the Jones-Costigan Act of 1934. This was the beginning of the U.S. quota-type legislation which, in principle, has remained unchanged in purpose throughout these past 27 years. Thus, Brazil

has a history of Government regulation of sugar very much parallel to that in the United States.

The Sugar and Alcohol Institute includes representation through an executive commission of all segments of the sugar industry—cane sugar producers, sugarcane workers, mill owners, as well as representatives of the Federal Government of Brazil in the areas of agriculture, labor, industry, and finance. This proud representation of all sections of the Brazilian economy—Government and private—permits the full consideration of public and private interest.

The principal activties of the Institute are:

(*a*) Imposing restrictions on production.
(*b*) Regulating the distribution and flow of sugar.
(*c*) Regulating the flow of surplus sugar to external markets.
(*d*) Channeling surplus sugar cane to the manufacture of alcohol.
(*e*) Fixing the prices of sugar to the mills each year.
(*f*) Assuming the responsibility for authorizing new mills or the enlargement of old ones.

2. UNIQUE POSITION OF THE SUGAR AND ALCOHOL INSTITUTE

With the broad representation and the broad responsibilities, the Sugar and Alcohol Institute is in the unique position of being a representative body with power to act, sitting in continuous session. For administrative purposes, the Institute is under the Ministry of Commerce and Industry, being tied very closely to the policies and production program of the Federal Ministry of Agriculture. Through the Executive Commission, the administration of the Federal Government of Brazil is represented and its views are expressed.

The growth of sugar production in Brazil to its present level of around 4 million tons, and the importance of production of sugar in northeast Brazil, has focused attention on the need for increased activity by the Institute.

There are two distinct zones of sugar production in Brazil. The older section in the northeast produces sugar from September to April, and accounts for about one-third of Brazilian production. The second area is in the southern section of Brazil and produces sugar from July to December.

There are roughly 70,000 mill workers in some 368 mills in Brazil. Sugarcane workers total approximately 250,000. The number of people directly dependent on the sugar economy is a minimum of 1¼ million.

Since 40 percent of Brazil's sugar production is in the northeast area, where social and economic changes are most needed and per capita income is extremely low, the significance of sugar to Brazil's role in the Alliance for Progress has been brought into new focus.

The Institute already has taken steps to insure maximum contribution by the sugar industry to Brazil's program.

Beginning in October 1961, a tax of Cr$50 (roughly 15 U.S. cents per 132-pound bag) per bag of all sugar produced was decreed.

Additional funds are obtained as a recapture provision from exports. Brazilian sugar producers do not participate in the ups and downs of the export price of sugar and therefore are not enriched by sales to the U.S. preferential market. Neither do the producers bear the losses from the sales to the world market currently at below cost of production in Brazil. This is because the price of sugar is set each year by the Institute and is not related to the export market. Therefore, any net gains from U.S. sugar sales would go into the special fund of the Institute and would be available for uses determined by the Institute to be in the best interest of the economy of Brazil.

The program embodied under the fund decree of November 17, 1961 (Decree No. 156), is already in operation. A translation of this decree is contained in exhibit I attached to this report. The fund will be used to carry out a program of consolidation and development of economic and social programs for workers in the sugar and sugarcane industry and to promote economic, agricultural, and industrial research. There are three stages:

(*a*) Immediate problem, by means of an emergency plan;
(*b*) Medium problems, by a 5-year plan; and
(*c*) Long-term problems coordinating the economic and social plan of the Government.

The emergency plan already in operation gives high priority to the financial and technical situation in the sugar mills and is directing its earliest consideration to northeast Brazil where the need is greatest, both in technical terms and with

respect to assisting in the Alliance for Progress program. (See exhibit III for graphic description of area). The Cr$50 per bag of sugar was calculated to yield about Cr$1 billion by June 30, 1962, and additional funds would be taken from any profits accruing from U.S. sales in this period. Further comment on the Institute's part in the northeast program, which will be coordinated under Sudene (superintendency for the development of the northwest), will be given in another section of this report.

What the emergency plan assures in short is that there will be no profiteering by the mills and that funds from export sales are directed for the benefit of the Brazilian economy and under a coordinated program in which the United States—through President Kennedys' Alliance for Progress program—is participating.

Not only is the Institute aware of the obligation of the sugar industry to use its resources for the improvement of the social conditions, but there also is recognition of the fact that with the rate of population growth at 3.2 percent and with a rapid urbanization taking place, commercial production of sugar in the next few years will continue to increase by at least 100,000 short tons, raw value, a year. Per capita consumption of sugar in Brazil is among the highest in the Latin American countries, averaging about 88.9 pounds, raw value, per person. Taking into account current population growth rate of 3.2 percent, Brazil's population by 1970 will be approximately 97 million persons. Even assuming a modest increase per capita consumption of sugar in Brazil, it is clear that Brazil will require a production of at least 4½ million short tons, raw value, to meet domestic demands. Add to that another million to 1½ million tons for stocks and exports, and total production requirements by 1970 come to a minimum of 6 million short tons. The industry's present capacity, assuming no limitation on mills, as currently apply, is around 5 million short tons, raw value.

In recognition of this trend toward increased demand for raw sugar, the Sugar and Alcohol Institute already has initiated a comprehensive national economic study of the entire sugar industry with a view toward increasing efficiency, establishing improved agricultural practices, and instituting social reforms in some of the areas producing sugar.

It might be noted in passing that the retail price of sugar, as reported in the International Sugar Council Sugar Year Book, was 4.4 cents per pound, January 1, 1960. This is approximately the retail price of refined sugar at world price levels and is the second lowest price in the world. The reasonableness of the price accounts in large measure for the high level of per capita sugar consumption in a country with, by U.S. standards, a low average standard of living.

II. Brazil's Sugar Industry

1. THE INDUSTRY IN RETROSPECT

(*a*) *Growth of production.*—Sugar production doubled over the last 10-year period, increasing from 1,882,000 short tons, raw value, in 1951–52 to an estimated 4,100,000 short tons, raw value, in 1961–62. The trend in production is illustrated in the figures below taken from table 3, page 14, March 1962 report of the U.S. Department of Agriculture, Economic Research Service, SUS–8 "The Sugar Situation":

	Production, thousands of short tons, raw value
Average 1950–51 through 1954–55	2,110
1958–59	3,770
1959–60	3,550
1960–61	3,797
1961–62	[1] 4,103

[1] Preliminary.

Note.—See also exhibit II, p. 327, "Sugar Production in Principal States of Brazil."

Associated with this increase in sugar production during this 10-year period was an even greater acceleration in the production of alcohol. Alcohol production increased 168 percent, or from a total of 170.4 million liters at the beginning of the period to 456.3 million liters at the end of the period. The alcohol was produced from molasses (byproduct of sugar), but included surplus sugarcane which was not processed for the commercial extraction of sugar.

(*b*) *Growth of consumption.*—Brazil's consumption increased 76 percent over the 10-year period, or from 1,851,324 short tons, raw value, in 1951 to a total of 3,045,295 short tons, raw value, in 1961.

Per capita consumption increased from around 70 pounds, raw value, in 1951 to close to 90 pounds, raw value, in 1961. The rate of per capita consumption for Brazil is among the highest of the underdeveloped countries of the Western Hemisphere and compares favorably to those of so-called developed countries. Consumer demand increased more sharply in the south because of rapid economic development and population growth. As between north and south the increase over the 10-year period was 211,000 short tons, raw value, for the north and 878,000 short tons, raw value, in the southern half of Brazil.

Apparent sugar consumption in Brazil, 1951–61

[Raw value, thousand short tons]

Year	North	South	Total	Per capita (pounds)
1951	375	1,460	1,835	70.6
1952	381	1,382	1,763	64.7
1953	414	1,620	2,034	73.0
1954	405	1,654	2,059	72.1
1955	470	1,830	2,300	81.1
1956	470	1,905	2,375	79.4
1957	476	1,771	2,247	73.4
1958	579	2,079	2,658	84.7
1959	562	2,071	2,633	82.0
1960	586	2,338	2,924	88.9
1961	(1)	(1)	3,131	90.2

[1] Not available.

Source: Sugar and Alcohol Institute of Brazil.

(*c*) *Exports.*—The growth of sugar production in Brazil necessary to supply increased domestic demand also made it possible for Brazil to reenter the export market in the middle 1950's. The increased production of sugar was largely accomplished by expansion in the southern area, particular, in São Paulo. Since the industry there was relatively new, a greater economy in production was achieved. As a result, Brazil was in a position to increase its exports. Brazil joined the International Sugar Agreement in 1958, accepting a basic quota of 550,000 metric tons, equivalent of over 600,000 short tons, which was below Brazil's request. With the obligatory reserve of 12½ percent, this permits production of about 695,000 short tons plus whatever shortfalls are granted during the respective quota years. In recent years, Brazil has maintained exports at an average of 800,000 short tons fulfilling her obligations under the agreement. The history of Brazilian exports in recent years is given below:

Brazil: Exports of sugar

[Thousand short tons]

1955	640.4	1959	667.9
1956	25.8	1960	942.2
1957	450.2	1961	821.1
1958	855.2		

Source: International Sugar Council, Statistical Bulletin.

It should be noted that exports to the United States are not chargeable against the International Sugar Agreement quotas. Therefore, when the United States stopped the imports of Cuban sugars in 1960, the Cuban sugars were thrown into the world market. While Russia and China stepped in and bought the sugars the net result was that they had sugars available to put on the world market as all of the Cuban imports were not taken into immediate consumption in those areas. This forced exporting nations, such as Brazil, to make every effort to offset this additional competition. Losses of markets occurred primarily in

Europe. The above situation is illustrated in the table below which shows Brazil's sugar exports by areas of destination for the 4 years 1958–61:

Brazil's sugar exports by area destination, 1958–61

[Thousand short tons]

Destination	1958	1959	1960	1961
Asia and Oceania	368.1	235.7	418.6	323.1
Europe	302.1	261.7	209.6	45.4
South America	141.0	103.7	153.9	75.1
Africa	43.9	53.7	46.1	54.2
United States	--------	11.6	114.0	323.2
Others	--------	1.4	--------	--------
Total	855.2	667.9	942.2	821.1

Source: International Sugar Council, Statistical Bulletin.

Percentage distribution of Brazil's sugar exports, by destination, 1958–61

Destination	1958	1959	1960	1961
Asia and Oceania	43.1	35.3	44.4	39.4
Europe	35.3	39.2	22.3	5.5
South America	16.5	15.5	16.3	9.1
Africa	5.1	8.1	4.9	6.6
United States	----------	1.7	12.1	39.4
Others	----------	.2	----------	----------
Total	100.0	100.0	100.0	100.0

Source: International Sugar Council, Statistical Bulletin.

Considering the natural resources for sugar production in Brazil and the need for foreign exchange, Brazil plans to maintain her participation in the world market and expects that by 1970 approximately 1 million short tons could be considered as a reasonable share of world market potentials to cover exports including the obilgatory reserve of 12½ percent.

2. GROWTH POTENTIAL FOR THE BRAZILIAN SUGAR INDUSTRY

The "Special Study on Sugar," published February 14, 1961, under the auspices of the U.S. Department of Agriculture at the request of the House Committee on Agriculture, in a review of the availability of foreign sugars for the United States, made the following statement on page 63: "Brazil is, of course, the country in that area which has the largest potential for expansion. Given adequate incentive that country has the potential capacity to become a leading supplier for the United States." This remark was taken from the section "Future Foreign Availabilites From Sources Other Than Cuba" beginning on page 61 of the sugar study.

In connection with this report, the special study group prepared a table projecting available supplies from foreign countries under various price assumptions. That table, reproduced at the end of this section, illustrates Brazil's great potential to expand sugar exports.

In fact, Brazil's current exports even now total more than 800,000 short tons of raw sugar annually, and this is being achieved under rigid production restrictions involving individual grinding quotas to each mill.

Moreover, Brazil has the ability, by easing production restrictions, to expand exports quickly by another million short tons a year.

But, Brazil's capacity to expand exports is not the only advantage she has to offer the United States as a dependable sugar supplier. Another distinction is the fact that sugar production in Brazil is continuous throughout the year. Brazil has two crop seasons a year—one in the north from September to April, and the other in the south from June to December.

The combination of a substantial United States and world quota and continuous production from two crops would tend to give the United States a source

of supply not too unlike the stabilizing assurances which Cuba gave this country under the Sugar Act.

There follows a descirpition of Brazil's two areas of sugar production, the southern area and the northeast area. Attached to this report are three maps showing the location and production of sugar by areas in Brazil.

(*a*) *Southern area.*—Sugar production in this area more than doubled in the last 10 years. As previously pointed out, each mill is limited by quota assigned by the Sugar and Alcohol Institute annually. These mills are operating at an estimated 75 percent of capacity and production can be increased rapidly upon short notice with little or no expansion of existing facilities. Production currently is around 60 percent of the total production of Brazil.

(*b*) *Northeast area.*—The sugar industry in the northeast has been in existence for centuries and is an important industry in the economy of that area, particularly in Pernambuco and the adjacent state of Alagoras. The Sugar and Alcohol Institute has given special attention to the sugar industry in the northeast for two reasons: (1) The need for social and economic improvement as a part of Brazil's Alliance for Progress program; and (2) the need for increased efficiency so that the sugar industry can improve social and economic conditions of workers and associated service industries to the sugar industry of the northeast. The net effect of this special attention is to increase the sugar production in the northeast through increased efficiency, improved agricultural practices, and other improvements which will bring about a larger and more efficient sugar production. Action in this direction has already been taken by the program as announced in the November 17, 1961, decree previously mentioned and commented on elsewhere in this report.

III. Social and Economic Impact of Sugar Production and Exports

Attention is being focused on both the economic and social importance of the sugar industry in Brazil. The annual value of production in terms of U.S. dollars would be approximately $250 million at the present time. There are approximately 70,000 sugar millworkers and 250,000 sugarcane workers, or a total of 320,000. Taking the average family of 4, the number of people directly dependent on the sugar economy will go as high as 1,280,000.

In addition, there are many persons in the allied industries, such as transportation, suppliers, distributors, etc., who draw income from the sugar economy. Approximately 368 mills are rather well scattered throughout the sugarcane area. While there are some small mills, in general, the distribution by size groups indicates that production is fairly well balanced as illustrated in the tables below showing the distribution of production by size groups by the two principal states, Pernambuco and São Paulo.

Production of sugar in the State of Pernambuco, 1961–62

Relative size of productions	Number of mills	Production total by size groups	Equivalent short tons tel quel	Percent of total	Average production per mill
Bags, 60 kilos					*Short tons*
0 to 100,000	12	645,500	42,692	5	3,558
100,000 to 200,000	13	2,084,325	137,853	16	10,604
200,000 to 300,000	15	3,512,362	232,300	27	15,487
300,000 to 400,000	6	2,038,905	134,849	16	22,475
400,000 to 500,000	4	1,761,504	116,502	14	29,126
500,000 and over	4	2,906,648	192,240	22	48,060
Total	[1] 54	12,949,244	856,436	100	[2] 15,860

[1] Does not include 2 inactive mills.
[2] Weighted average.

Production of sugar in the State of São Paulo, 1961–62

Relative size of productions (Bags, 60 kilos)	Number of mills	Production total by size groups	Equivalent short tons tel quel	Percent of total	Average production per mill
					Short tons
0 to 100,000	49	2,848,860	188,418	19	3,845
100,000 to 200,000	26	3,731,263	246,778	25	9,491
200,000 to 300,000	7	1,663,187	110,000	11	15.714
300,000 to 400,000	4	1,403,059	92,796	9	23,199
400,000 to 500,000	7	2,985,488	197,454	20	28,208
500,000 and over	4	2,470,885	163,419	16	40,855
Total	97	15,102,742	998,865	100	[1] 10,298

[1] Weighted average.

Source: Brazilian Sugar and Alcohol Institute.

Brazil has a 1962 population of an estimated 75 million, representing about 40 percent of the population of Latin America—and over one-half the land area. As a contribution to the stabilization of world prices she has restricted sugar production and adhered to limiting sugar exports. Considering the importance to the economy and to the program of social improvement undertaken by the Government, an opportunity to utilize fully existing capacity and to improve production practices, including renovation in the northeast, would be of great value to the program and would make it much more feasible to achieve some of the goals of improving social and economic conditions of the sugarcane workers. Brazil has not shared in the U.S. quota under the Sugar Act despite her relative importance as the leading country in the Western Hemisphere. The table below compares her relative position in terms of population, land area, sugar production, and sugar exports with countries in the Western Hemisphere receiving basic and nonquota sugar allocations during the last 3 years, 1959–61.

Sugar—Western Hemisphere countries receiving U.S. quotas or non-quota sugars in 1961

Divisions	Percentages				
	Population	Land area	Production [1]	Total exports [1]	Exports to United States [1]
South America:					
Brazil	44.5	59.2	38.4	19.7	10.3
Colombia	9.1	7.9	3.8	.4	1.1
Ecuador	2.8	2.1	1.2	.7	.9
Paraguay	1.1	2.8	.3	.2	.1
Peru	6.9	9.3	9.4	14.2	23.7
Other Western Hemisphere:					
British Guiana	.4	1.5	3.7	7.8	2.9
British West Indies	2.0	.1	10.5	20.6	5.8
Costa Rica	.8	.4	.8	.4	1.1
Dominican Republic	2.0	.4	11.0	23.1	22.4
Guatemala	2.4	.8	.9	.1	.4
Haiti	2.2	.2	.7	.8	2.2
Mexico	22.6	13.7	17.5	10.8	26.6
Nicaragua	.9	1.0	.9	.8	2.0
Panama	.7	.5	.3	.1	.3
El Salvador	1.6	.1	.6	.3	.2
Total Western Hemisphere	100.0	100.0	100.0	100.0	100.0
Others:					
Australia	2.3	70.7	26.5	48.3	0
Taiwan (China)	2.4	.3	17.4	50.5	100.0
India	95.3	29.0	56.1	1.2	----------
Total, others	100.0	100.0	100.0	100.0	100.0

[1] 3-year average, 1959–61.

Source: United Nations, "World Almanac, 1961," "International Sugar Council Bulletin, 1961," U.S. Department of Agriculture.

1. BALANCE-OF-PAYMENTS PROBLEM

Brazil has the most serious balance-of-payments problem of any large country in Latin America. The balance-of-payments difficulties are not reflected in the decline in the foreign exchange reserves of the monetary authorities. In fact, Brazil has had inadequate monetary reserves for many years, so that a significant reduction has not been possible except through an increase in its monetary liabilities relative to its gold and foreign exchange assets. Instead, the payments difficulties of Brazil have manifested themselves in the recurrent need for help in meeting accruing obligations, including commercial arrears, and in the necessity of maintaining harsh restrictions on imports.

Balance of payments of Brazil, 1957–60

[Millions of U.S. dollars]

	1957	1958	1959	1960
Goods and services	−284	−261	−337	−538
Exports, f.o.b	1,392	1,243	1,282	1,269
Imports, f.o.b	−1,285	−1,179	−1,210	−1,293
Adjustments for freight, insurance, commissions	−203	−174	−164	−169
Other services	−188	−151	−245	−345
Transfer payments	−13	−6	−5	−5
Capital, excluding monetary sector	306	259	250	190
Foreign direct investment	176	129	158	138
New loans, amortization, and deferred payments	130	130	92	52
Errors and omissions, net	−148	−188	3	−9
Deficit: Decrease in reserve assets or increase in liabilities of the monetary sectors	139	196	89	362

Source: International Financial Statistics, May 1962, p. 65.

The basic reason for the difficulties in the balance of payments of Brazil has been the steady decline in the prices of its export products. For example, the price of coffee in the United States has declined from an average of 78.30 cents a pound in 1954 to 36.30 cents a pound in 1961. The price of cacao in the United States has fallen from an average of 57.74 cents a pound in 1954 to 22.70 cents a pound in 1961. And the price of cotton in the United Kingdom, which may be regarded as the world price for such exports, has gone down from 38.50 cents a pound in 1954 to 27.20 cents a pound in 1961. These three commodities account for about two-thirds of Brazil's exports.

Export price indexes of selected Latin American Countries and products

[1954=100]

Country:[1]	*Export price index, 1961*	Commodity:	*Export price index, 1961*
Argentina	87	Cacao	37
Brazil	56	Coffee	51
Colombia	59	Copper	94
Costa Rica	59	Cotton	76
Dominican Republic	71	Meat	104
Ecuador	66	Petroleum	97
Guatemala	60	Sugar	95
Uruguay	79	Wheat	92
Venezuela	97	Wool	74

[1] Export price indexes are not available for several large Latin American countries, including Mexico, Peru, and Chile. The decline in their export products has, on the whole, been less than that of the agricultural exporters of Latin America.

Source: International Financial Statistics, April and May 1962, p. 32.

Although Brazil is not unique among countries exporting primary products, it has been more seriously affected by low export prices than any country in Latin America or, with the possible exception of Burma, in the world. Of the nine principal export commodities of Latin America, the largest decline in prices of Latin American export commodities from 1954 to 1961 was 15 percent,

the average decline in the prices of coffe, cacao, and cotton was over 40 percent. As a consequence, although the volume of Brazil's exports increased by 30 percent in the past 7 years, the dollar value of Brazil's exports in 1961 was 11 percent lower than in 1954. Its exports to the United States in the same period (as reported by the Department of Commerce) fell by nearly 20 percent.

Exports of Brazil, total and to the United States

[Millions of U.S. dollars]

Year	Total exports, f.o.b.	Exports to United States, c.i.f.	Year	Total exports, f.o.b.	Exports to United States, c.i.f.
1954	1,562	682	1958	1,243	567
1955	1,423	633	1959	1,282	629
1956	1,482	746	1960	1,269	570
1957	1,392	700	1961	1,402	562

Source: International Financial Statistics, May 1962. p. 38; and U.S. Department of Commerce.

To some extent, the inflation and the unsuitable structure of exchange rates prevented the development of other export products in the past. This is no longer true. For the first time in many years, the exchange rate of the cruzeiro enables producers to compete in world markets for the export of all goods in which Brazil has a comparative advantage. Until financial stability is established and the persistent inflation is eliminated, the present exchange system must be maintained so that conditions will remain favorable for the expansion of exports. It should be noted that the Government of Brazil is aware of the importance of controlling and eliminating inflation. The Minister of Finance, Dr. Walther Moreria Salles, has presented a program for fiscal and credit reform that has been approved by the cabinet and is being considered by the Congress.

Effect on imports.—It was stated above that the balance of payments difficulties of Brazil have manifested themselves in a severe restriction of imports. The level of imports in the past few years has been far below the level required for the normal functioning of the Brazilian economy. The deficiency of imports has retarded economic growth and has held back the improvement in the standard of living. While Brazil has made special efforts to maintain imports of capital goods and of raw materials for its industries, this has required an exceptionally rigorous restriction of imports of consumer goods. These restrictions have been applied not only to luxury goods but even to the most essential consumer goods, including basic foods such as wheat.

The extent of the deficiency of imports is evident in the decline of Brazil's imports in the past 10 years. In 1951 and 1952, imports amounted to $2 billion a year, although this was an unusually high level. In 1954, imports were $1,630 million, a level well suited to the needs of the economy and one that could be supported by the exports and other foreign exchange receipts of Brazil.

In the 7 years since then, imports have been from 10 to 24 percent lower than in 1954 although in the meantime the gross national product has increased about 40 percent in real terms. The proportion of imports in the consumption and investment of Brazil is now about three-fifths of what it was 7 years ago. Despite this, Brazil has maintained its imports from the United States and they were higher in 1961 than in 1954.

Imports of Brazil, total and from the United States

[Millions of U.S. dollars]

Year	Total imports, c.i.f.	Imports from United States, f.o.b.	Year	Total imports, c.i.f.	Imports from United States, f.o.b.
1954	1,630	475	1958	1,353	534
1955	1,306	254	1959	1,374	413
1956	1,234	309	1960	1,462	426
1957	1,488	484	1961	1,460	486

Source: International Financial Statistics, May 1962, p. 39; and U.S. Department of Commerce.

It has become increasingly difficult for the economy of Brazil to function with the present deficiency of imports. Furthermore, unless Brazil can increase its exports, and thus pay for additional imports, the deficiency of imports will become even more critical in the future. In the report on the economic program of the Government, issued by the Cabinet at the beginning of the Goulart administration, it is estimated that imports will have to increase by more than 40 percent in the decade of 1961–70 to meet the requirements of economic development—i.e., for capital goods, parts, and raw materials. Unless imports of such goods are increased to this extent, it will be impossible for Brazil to implement its part of the program under the Alliance for Progress.

As a practical matter, the need for increased imports is much greater than this estimate of import requirements for development goods. With increased population and increased income, it is no longer possible to continue the present low level of imports of essential consumer goods. For wheat alone, a basic food for the lower income groups, import requirements are estimated to rise from just under 2 million metric tons in 1961 to over 4 million metric tons in 1966, of which more than 2.5 million metric tons would have to come from the United States. This assumes an increase in domestic production of wheat and an increase in imports from Argentina. At $70 a metric ton (the present price), imports of wheat in 1966 would be valued at $280 million. If consumption of wheat is to keep pace with the rise of incomes, which is esential for a moderate rise in the standard of living, Brazil would have to find some way to finance this enormous increase in imports.

Brazil's imports of wheat, actual and estimated, 1960–66

[Thousand metric tons]

Year	Total imports	Principal sources of supply		
		Argentina [1]	Soviet Union [1]	United States [2]
1960	2,033	1,098	197	728
1961	1,928	121	193	1,614
1962	2,600	700	200	1,700
1963	3,350	1,000	200	2,150
1964	3,750	1,000	200	2,550
1965	3,940	1,200	300	2,440
1966	4,040	1,200	300	2,540

[1] To be supplied under trade agreements.
[2] Residual import requirements. Supplies from other sources have been negligible in the past 4 years.

Production and export of sugar

For Brazil, the increase and diversification of its exports is indispensable to attaining the economic and social objectives of the Alliance for Progress. It is very unlikely that Brazil can increase its earnings from coffee exports to any significant extent. The growth in world demand for coffee will be relatively slow unless the heavy taxes on coffee consumption are reduced in some European countries. In fact, there is the danger that the maintenance of preferences for African producers by the Common Market countries will further restrict the market for Brazil's coffee. In any event, the greater part of the expansion in the world market for coffee is likely to be absorbed by new producers. It would be dangerous for Brazil to continue to let its economic destiny be tied to the world market for coffee.

It will be impossible to increase Brazil's exports to the extent necessary for its future import needs without developing foreign markets for a wide range of new products—agricultural, mineral, and manufactures. As a country of continental size, with nearly 75 million inhabitants, Brazil has the potential of becoming one of the great trading countries of the world. Canada, with a territory equal to that of Brazil and with a population of only 18 million inhabitants, is the fifth largest exporter and importer. Furthermore, as in the case of Canada, the natural direction of Brazil's trade is with the United States. The greatest beneficiary of an expansion of Brazil's trade is certain to be the United States.

It is unfortunate that Brazil has not given sufficient attention in the past to the need to develop greater diversification of exports. As a consequence, when the world market for coffee deteriorated, its other exports did not increase significantly, although total world exports increased by 52 percent from 1954 to 1961. It will take time to build up Brazil's capacity to produce a wide range of agricultural, mineral, and manufactured products capable of competing with the products of other countries. It will take even longer to build up the trade connections necessary to penetrate foreign markets.

There is one field, however, in which Brazil has great capacity for increasing production and exports quickly and that is in the production of sugar. Furthermore, under the exceptional conditions that have emerged in the past year, Brazil should find a favorable market for its production in the United States. For a considerable period in the past, Brazil was the world's leading producer of sugar. It is still one of the largest sugar producers in the world. In 1961–62, Brazil's production of 4.1 million tons of cane sugar will exceed that of any foreign country, except Cuba and the Soviet Union. Even in 1958–59 before the exclusion of Cuba from the U.S. market, Brazil was by far the largest foreign producer next to Cuba and the Soviet Union.

Centrifugal sugar production, by countries or areas, 1958–59 and 1961–62

[Thousand short tons]

Country or region	1958–59	1961–62 [1]	Country or region	1958–59	1961–62 [1]
United States, continental	2,779	3,370	Eastern Europe	4,192	4,727
Hawaii and Puerto Rico	2,062	2,350	U.S.S.R. (Europe and Asia)	6,800	7,000
Cuba	6,574	6,020	Africa	2,807	3,095
Dominican Republic	994	1,050	India	2,662	3,775
West Indies Federation	866	946	Other Asia	5,048	5,221
Other North America	2,321	2,900	Oceania	1,762	1,710
Brazil	3,770	4,103			
Peru	794	965	World total, cane and beet	54,535	57,488
Other South America	2,265	2,093			
Western Europe	8,839	8,163			

[1] Preliminary estimate.

Source: Foreign Agricultural Circular, U.S. Department of Agriculture, Sugar, FS–5–61, December 1961 pp. 7–8.

The relative capacity of Brazil to produce sugar on an efficient basis is not fully revealed by these data. Actually, Brazil can produce much more sugar than she is now producing. As the U.S. Department of Agriculture states in the circular cited above: "Sugar production in Brazil is controlled by production quotas for each mill." There can be no doubt that if Brazil had a larger share in U.S. imports of sugar, its production could be expanded sufficiently to meet both its increased quota in the U.S. market and increased consumption at home, and maintain its world market under the ISA. As the largest producer of sugar in the world of those friendly to the United States, Brazil is entitled to a larger share in U.S. sugar imports. The beneficial effect on Brazil's balance of payments of a larger sugar quota would be enormous. It would enable Brazil to reduce its payments deficit and pay for greatly increased imports of wheat and other goods from the United States.

Sugar is the only commodity whose production and export could be quickly increased in large quantities, within the present structure of Brazil's economy. In the case of wheat, it is not only necessary to provide for increased consumption in the next few years, but to enable Brazil to make these purchases from the United States in much greater part for cash. In 1961, over 80 percent of Brazil's imports of wheat came from the United States. Almost two-thirds of Brazil's entire consumption of wheat was supplied by imports under title I of Public Law 480. By 1966, Brazil's imports of wheat from the United States could be increased by 57 percent. More than half of this wheat would be paid for in cash, if sales of sugar to the United States could be increased sufficiently.

The Northeast and sugar exports

An important feature of Brazil's development program, and an integral part of the Alliance for Progress, is the strengthening of the economy of northeast Brazil. This large region of Brazil, once the center of the economic life of

the country, has been severely depressed for generations. The economic decline of the northeast is partly attributable to the loss of its predominant position in the world market for sugar. This region was at one time the principal sugar producing and exporting region of the world. Even now, it produces 40 percent of the total output of sugar in Brazil. With the stagnation of its sugar economy, the capacity of the northeast to raise its production efficiency and to diversify its production was seriously impaired. Once the most prosperous region of Brazil, the northeast has fallen far behind the rest of the country in economic opportunities and in economic growth.

According to a report of the Brazilian Government, "the population of the northeast (nearly 25 million) is mainly concentrated in the humid eastern area, traditionally a sugar producing region." The per capita income is about $100 a year, less than a third of the average income of the center-south. There is severe unemployment and the standard of living of a great part of the population is below subsistence level. The economic disparity between the northeast and other regions of Brazil is becoming steadily greater. Its rate of economic growth in the postwar period has been only half of that of the center-south. Brazil wants this region to have the opportunity to rehabilitate its economy and to enter once more into the main stream of the country's economic life. If conditions of extreme poverty are permitted to persist, they will not only endanger the economic development of the country, but the resulting social unrest may undermine the political stability of all of Latin America.

With the aid of the United States, the Government of Brazil has undertaken a special program for the rehabilitation and reconstruction of the northeast. The objectives of the program are to improve agricultural efficiency, to diversify agricultural production and to develop light manufactures. The resources for this program are largely provided by Brazil itself. The United States helps the special program indirectly through the use of counterpart funds derived from the sale of agricultural products under Public Law 480. The United States also helps through the social fund of the Alliance for Progress administered by the Organization of American States. There is great hope that this joint effort will be effective in creating the conditions necessary for strengthening the economy of the northeast.

The large resources that are being devoted by Brazil to the special program for the northeast are not intended to be used primarily for relief, but for the rehabilitation and reconstruction of this region. Unless the northeast can increase its production and employment sufficiently to enable it to pay for its consumption, the special program will have failed of its principal objective. In fact, unless the production of the northeast contributes toward increasing the exports of Brazil, the balance-of-payments problem will become even more difficult. For the northeast itself requires large imports of equipment and materials for its development, and a higher standard of living in this area will bring the need for increased imports of essential consumer goods (including wheat).

As already noted, the special program for the northeast is intended to increase the productivity of the sugar economy, which is below that of the newer sugar producing areas of Brazil. This is to be done through the use of better equipment, much of which will come from the United States, and more water for irrigation. It would be futile to increase employment and the productivity of workers in the sugar industry unless a market can be found abroad for the increased production of sugar. Any enlargement of the sugar quota for Brazil in the United States would be immediately reflected in increased production, employment and income in the northeast. The greater income from sugar would provide the economic basis for the diversification of agriculture to supply local needs for food and for the development of light manufacturing industries. The task of restoring a working economy in the northeast could be achieved more surely and more promptly, and with less of a strain on the balance of payments, if it is facilitated by increased production and exports of sugar. This is one of the reasons why the Government of Brazil places great stress on increasing sugar exports to the United States as a part of its program for economic development.

2. ALLIANCE FOR PROGRESS

In this section we discuss the Alliance for Progress, the importance of Brazil to that Alliance, and the ways in which the strengthening of Brazil's economy through the assignment of a sugar quota will improve the prospects of success for that Alliance and expand trade between Brazil and the United States.

The real meaning of "trade, not aid."—It is often said in the United States that it should be our national policy to encourage "trade, not aid." The truth is, of course, that our policy must include both trade and aid. One of the strengths of the Alliance for Progress is that it does provide for both.

A sharp drop in the price of coffee can cancel the effect of a great deal of U.S. aid and can cripple the internal program of the Brazilian Government to channel resources into economic growth. It is, therefore, part of the Alliance to buttress the self-help and the aid programs with commodity agreements that will cushion the economies of the Latin American nations against the bruising jolts of sharp fluctuations in the "terms of trade"—in the prices of agricultural products and other raw materials.

The Alliance for Progress originated in the Brazilian proposal for Operation Pan American. It is important to recall that the Alliance for Progress owes even its origin to the political and economic leaders of Brazil. On August 8, 1958, the Government of Brazil sent an aide memoire to the governments of the other American States that described in detail the views of the Government of Brazil with respect to the nature, characteristics, objectives, and functioning of Operation Pan America.

In accordance with Operation Pan America, the 21 members of the Organization of American States would use the machinery of mutual consultation to formulate new measures for economic cooperation, thus facilitating progress and strengthening democracy in the hemisphere.

On September 23, 1958, the 21 Ministers of Foreign Affairs met in Washington and recommended that the Council of the Organization of American States establish a Committee of Twenty-one to formulate new measures for economic cooperation to be based on the six topic embodied in Operation Pan American. The third meeting of the Committee of Twenty-one was held in Bogotá in September 1960, and this meeting adopted the Act of Bogotá, entitled "Measures for Social Improvement and Economic Development Within the Framework of Operation Pan America."

In the spring of 1961 President Kennedy called for the establishment of an Alliance for Progress to broaden the goals of the Act of Bogotá and strengthen the measures for achieving those goals. The Declaration of Punta del Este completed the join definition of goals and instruments by the 21 nations of the Western Hemisphere.

On June 19, 1961, the Government of the United States and the Inter-American Development Bank signed the social progress trust fund agreement which made $390 million immediately available to the Bank for loans and grants for economic development projects and technical assistance to help achieve the purposes of Operation Pan America, of the Act of Bogotá, of the Declaration of Punta del Este, of the Alliance for Progress. The total funds from all sources made available by the United States for these purposes for the fiscal year ending June 30, 1962 amount to $1 billion.

Let us consider now the place of Brazil in the Southern Hemisphere, and the importance of Brazil to the success of the Alliance for Progress.

The place of Brazil in Latin America.—We can see at a quick glance, from the following table, the relative size, position, and importance of Brazil to Latin America.

Item	Latin America	Brazil
Area—square miles	7,680,400	3,287,200
Total population, mid-1960	199,200,000	70,000,000
Estimated population for 1970	255,400,000	94,300,000
Per capita gross national product (1960)—US$	395	332
Percentage of tax burden to the gross national product (1959–60)—percent	11.1	14.5
Percentage of total public expenditures allocated to:		
(*a*) Education (1960)—do	12.2	11.4
(*b*) Public health (1960)—do	5.5	3.6
Rural inhabitants per square mile	58	86
Infant mortality rate (1959, per 1,000 live births)	91.5	107.5

Brazil covers an area almost as great as the rest of Latin America together and nearly that of the United States. The country is richly endowed with natural resources, but natural, political, and social conditions vary greatly between regions (as they do within the United States). Even though Brazil

is by far the world's largest coffee exporter and a very important producer and exporter of many other tropical and subtropical products, foreign trade constitutes less than 8 percent of its gross national product. Brazilian industry is the most important and advanced in Latin America.

While rapid economic progress has been achieved in certain central and southern areas, per capita incomes in other parts of the country have remained at a very low level. The social problems in some areas, especially in the northeast, are among the most serious of the continent. Even though the past growth of the Brazilian economy has been rather satisfactory (except in the northeast, which is a principal sugar-producing region in Brazil), the Government hopes to increase the rate of expansion of the gross national product to 7.5 percent per annum in a coordinated manner covering all phases of the economy. To achieve this target, the Government is preparing—

(*a*) A 20-year "perspective" plan, in which the structural changes to be made in the economy will be outlined;

(*b*) A 5-year program, which will be reviewed at the end of each year to add another year and thus provide a continuous 5-year action program; and

(*c*) An emergency plan, to include existing projects, for some of which foreign financing has already been obtained.

The northeast area of Brazil.—The northeast of Brazil is composed of eight States: Piaui, Ceara, Rio Grande do Norte, Paraiba, Pernambuco, Alagoas, Sergipe, and Bahia. The total area is 475,000 square miles, or 15 percent of Brazil. Only three South American countries exceed the northeast in area: Argentina, Bolivia, and Peru.

The estimated population of the northeast in 1959 was about 20 million, or 30 percent of that of Brazil. No other South American nation, except Argentina, even approaches this. In 1959 population density in the northeast was about 40 per square mile, compared to 18 for Brazil as a whole. The entire northeast lies in the tropics.

Agriculture in the northeast began with the establishment of sugar plantations along the coast some 400 years ago. As population increased, it moved inland, establishing subsistence agriculture and cattle ranches. Sugarcane monopolizes the arable land of the humid coastal strip and extends into the intermediate zone wherever fertility and moisture permit.

The problems of education, health, sanitation, and nutrition, which are severe for Brazil as a whole, are even more serious in the low-income northeast.

Whereas, according to the 1950 census, 48 percent of the population of Brazil could read and write, only 30 percent of the people in the northeast were literate. In rural areas at least 75 percent are illiterate.

Infant mortality is very high. Communicable diseases take a heavy toll, not only among children but also among adults, upon whom production depends. A concerted fight against the many endemic diseases is being made, but up to now it has reached only a small percent of the rural population. That such services should be increased is indisputable, despite the hard fact that saving lives means increasing the population pressure.

Even in favorable years the population of the northeast suffers from chronic malnutrition. Average daily caloric intake is 1,800 calories or less, and the diet is deficient in protein, vitamins, and minerals. During periods of drought this situation becomes acute, with starvation not uncommon.

Conclusion concerning northeast.—We can draw some conclusions about the northeast from the available information.

(1) The northeast is the major problem area of Brazil and the largest and most populous underdeveloped area in South America.

(2) The most important problem to overcome is that of a depressed and unstable agriculture. Drought, outmoded farming methods, and the prevalence of undersized subsistence units are major factors.

(3) Irrigation will not cure all the ills of the region. It can never be used on more than a minor fraction of the area, and exaggeration of its possibilities tends to obscure a more important agricultural solution, better dry-land farming.

(4) Subdivision of the large farms of the region into small units offers little, if any, solution to the problem; on the contrary, in most cases it would only aggravate an already bad situation. In most of the region the opposite approach—consolidation of small farms into larger, more economical-sized units—offers much more hope.

(5) There is a higher concentration of population than the resources can support at acceptable economic and social standards, indicating that resettlement of large numbers in more favorable areas of Brazil should be given high priority.

(6) Much more emphasis must be given, within the area, to education, agricultural research and extension, credit, and adjustment of rural population to available soil and water resources.

The importance of Brazil to the success of the Alliance for Progress.—Just what is the Alliance for Progress?

It is not merely a new label for the economic and technical assistance the United States has been giving to Latin America since 1942. Nor is it merely a new label for the inter-American consultation and cooperation that has been going on since the Pan American Union was established in 1890. It is genuinely a bold new alliance, even though it is built out of elements that have existed for many years and is addressed to old problems.

In his inaugural address, President Kennedy said: "To those peoples in the huts and villages of half the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves, for whatever period is required—not because the Communists may be doing it, not because we seek their votes, but because it is right." The Alliance for Progress specifically applies this pledge to the Western Hemisphere.

After the United States, Brazil is contributing the largest national share (in a tie with Argentina) of the funds and the strength of the Alliance for Progress. For example, the following table lists (*a*) the subscriptions to the authorized capital stock of the Inter-American Development Bank, and (*b*) the quotas accepted by each Latin American country for contribution to the Fund for Special Operations administered by the Bank:

Country	Number of shares subscribed to, in shares of US$10,000 each (a)	Quota, in thousands of U.S. dollars (b)	Country	Number of shares subscribed to, in shares of US$10,000 each (a)	Quota, in thousands of U.S. dollars (b)
Argentina	10,314	$10,314	Honduras	414	$414
Bolivia	828	828	Mexico	6,630	6,630
Brazil	10,314	10,314	Nicaragua	414	414
Chile	2,832	2,832	Panama	414	414
Colombia	2,830	2,830	Paraguay	414	414
Costa Rica	414	414	Peru	1,382	1,382
Cuba	3,684	3,684	United States of America	35,000	100,000
Dominican Republic	552	552	Uruguay	1,106	1,106
Ecuador	552	552	Venezuela	5,526	5,526
El Salvador	414	414			
Guatemala	552	552	Total	85,000	150,000
Haiti	414	414			

Source: Agreements establishing the Inter-American Development Bank, pp. 28 and 29.

Another decision made at the Conference of Bogotá in September 1960, was to establish the Social Progress Trust Fund and assign it to the Inter-American Development Bank for administration. The Fund has thus far been given total resources of $500 million. Of this sum, $6 million was allocated to the Organization of American States to assist member countries in organizing national development planning, and $100 million was allocated to the U.S. bilateral aid program for use in the fields of education and health. The balance of $394 million is the Social Progress Trust Fund.

The Government of Brazil has submitted 13 applications to the Social Progress Trust Fund for loans earmarked for projects that will provide housing for low-income families; land settlement and improving land use; community water supplies and sanitation facilities; education and advanced training.

And, to meet its obligations under the Alliance to institute the required internal reforms, the Government of Brazil is making basic modifications of the tax structure; initiating a far-sighted program of agrarian reform; and increasing its domestic appropriations for housing for low-income groups, water supplies, and sanitation facilities, and education and training related to economic and social development.

3. THE EXPORT TRADE IMPLICATIONS UNDER THE SUGAR ACT

The sugar trade is quite familiar with conditions which existed prior to the passage of the Jones-Costigan Act in 1934. The world price of raw sugar had dropped to less than 1 cent a pound. Distressed conditions existed both in the domestic industry and in Cuba which country was supplying over 98 percent of the foreign sugars imported into the United States. Therefore, a brief summary of Cuban-United States foreign trade can be used to represent the foreign trade aspect of the Sugar Act.

With the passage of the Jones-Costigan Act, the tariff on Cuban sugar was reduced from 2 cents a pound to 1½ cents a pound on June 8, 1934. This reduction, together with the quota price feature, constituted a support which at once raised the income to Cuba substantially. A few months later, or on September 3, 1934, the Cuban duty was further reduced to 0.09 cents a pound under provisions of the Cuban trade agreement. The Jones-Costigan Act, providing a fixed quota for Cuba, and the reductions in duty, both were designed to open the Cuban market to U.S. exporters with the thought that the United States would be the principal supplier of Cuban import requirements.

Daily charges during the life of the Sugar Act were as follows:

[Cents per pound]

	Cuba	Full rate	Basis of charge
Rate before June 1934	2.00	2.5	
June 8, 1934	1.50	1.87	Jones-Costigan Act.
Sept. 3, 1934	.9	1.87	Cuban trade agreement.
Jan. 5, 1942	.75	1.87	Do.
July 29, 1942	.75	.9375	Trade agreement, Peru.
Jan. 1, 1948	.50	.6875	GATT, Geneva.
June 6, 1951	.50	.625	Torquay.

The premium from these reductions in duty actually represent increased export trade shared by U.S. exporters over the years. This is demonstrated in the table below which shows that U.S. trade exceeded the value of Cuba sugar exports to the United States of around 3 million short tons with an approximate annual value of $300 million, and that Cuba bought most of her requirements from the United States.

Value of Cuban trade, total and with the United States, 1936–38 and 1946–56

[Thousands of dollars]

Year	Total trade		Trade with United States	
	Imports [1]	Exports	Imports [1]	Exports
1936	103,215	154,847	66,511	122,282
1937	129,572	186,071	88,856	150,601
1938	106,007	142,677	75,158	108,570
1946	300,227	475,864	229,190	322,061
1947	519,890	746,592	436,709	498,143
1948	527,456	709,872	420,644	366,679
1949	451,390	578,307	375,900	370,100
1950	515,070	642,049	407,554	381,225
1951	640,215	766,140	493,232	417,714
1952	618,314	675,345	462,729	408,891
1953	489,733	640,344	370,928	393,604
1954	487,889	539,048	367,322	368,961
1955	575,126	594,155	423,253	401,256
1956	649,006	666,203	487,705	430,841

[1] Prior to 1955, data exclude duty-free imports and valuation corrections.

Source: U.S. Department of Commerce.

4. SUGARCANE FARMING

In 1958–59 there were about 50,000 small- and medium-sized farms supplying about half of the sugarcane crushed. The other half is grown on mill plantations. Production of independent cane has increased at a slightly more rapid rate than that of mill plantation cane.

During the 10-year period, 1948–49 to 1958–59, independent cane growers increased their share from 45 percent to 50 percent. The contracting for and the supplying of cane is controlled under the sugarcane farming statute which has been in force since 1941 and this statute stipulates the price basis.

The tonnage of sugarcane to be supplied is determined under contract with each agricultural center for a particular mill. The price of normal sugarcane is 50 percent of the mill price of the sugar extracted from the cane at average extraction rates. Participation in the sugar price for lower yielding cane is only 45 to 47½ percent.

IV. Brazil's Sugar Position Under the International Sugar Agreement

Since the United States is a member of the International Sugar Agreement and a supporter thereof, the relationship between the U.S. quota system and the International Sugar Agreement provisions is an important consideration.

Basically, the International Sugar Agreement is designed to keep a balance between world supply and world demand as a means of preventing undue price fluctuations and providing a measure of stability.

Since preferential arrangements are in existence for the Commonwealth countries, the United States, the French Community, the European Common Market countries, together with those importing countries with planned domestic programs, the international markets in which Brazil can sell for export is limited.

It was not until 1958 that an agreement was reached under which Brazil agreed to limit exports to a 550,000-metric-ton quota. This was a quota below Brazil's capacity for exporting and her desire to earn additional foreign exchange from the exports of sugar.

Brazil's export record.—It will be noted that Brazil exported in 1960, 942,000 short tons, of which only 100,000 short tons were shipped to the United States. The remaining 842,000 short tons represented the International Sugar Agreement quotas, including the filling of shortfalls during that year granted under the International Sugar Agreement.

Because of the limitation under the International Sugar Agreement, the Brazilian Sugar and Alcohol Institute took steps to limit the 1959–60 crop and the ensuing crops.

There is given below a table showing basic quotas under the International Sugar Agreement which were in existence up to the time of the suspension of the quota provisions of the agreement late in 1961. There is included in this table the available information as reported to the International Sugar Agreement and printed in their latest statistical bulletin to show exports to countries other than the United States during 1961

Sugar—International quotas and exports to all countries, excluding United States, during 1961

Country	International quota (thousands of metric tons)	Percent of area group	Exports to other than United States (thousands of metric tons)
Western Hemisphere:			
Cuba	2,415		6,414.0
Dominican Republic	655	35.4	449.0
Brazil	550	29.7	452.0
Peru	490	26.5	[1] 6.0
Mexico	75	4.0	1.0
Haiti	45	2.3	[2]
Colombia	5	.3	3.0
Costa Rica	5	.3	[2]
Ecuador	5	.3	[3] 8.0
Guatemala	5	.3	[2]
Nicaragua	5	.3	[3] 0
Panama	5	.3	.2
Paraguay	5	.3	[4] 3.0
Total, Western Hemisphere excluding Cuba	1,850	100.0	
Total, Western Hemisphere including Cuba	4,265		
Europe:			
Czechoslovakia	275	29.7	[5] 129.0
Poland	220	23.8	700.0
East Germany	150	16.2	[2]
Belgium	55	5.9	112.0
Denmark	75	8.1	17.0
Hungary	40	4.3	[2]
Netherlands	40	4.3	51.0
Portugal	20	2.2	6.0
Italy	20	2.2	[6] 0
France	20	2.2	551.0
Turkey	10	1.1	280.0
Total, Europe	925	100.0	
Asia:			
China (Taiwan)	655	49.3	[7] 431.0
Indonesia	350	26.3	[2]
U.S.S.R.	200	15.0	[8] 830.0
India	100	7.5	[2]
Philippines	25	1.9	[2]
Total, Asia	1,330	100.0	

[1] 9 months.
[2] No information given to International Sugar Council in 1961. However, in 1960 exports to countries other than United States for the following countries were: Costa Rica, 10,000 metric tons; Guatemala, 6,000 metric tons; East Germany, 139,000 metric tons; Hungary, 136,000 metric tons; Indonesia, 35,000 metric tons; India, 17,000 metric tons; Philippines, 42,000 metric tons; Haiti, none. (All to United States.)
[3] 4 months.
[4] Total.
[5] 6 months.
[6] 10 months.
[7] 11 months.
[8] Estimated.

Source: March 1962 Statistical Bulletins, International Sugar Council, vol. 21, No. 3.

While the information was incomplete as to the exports other than the United States for some of the countries shown in the table above, the excessive competition in the world market for the Western Hemisphere countries is clearly shown. For example, there is given some of the exports for countries in the Soviet orbit, including Cuba.

[Thousand metric tons]

Country	Basic International Sugar Agreement	Exports to other than United States	Excess
Cuba	2,415	6,414	+3,999
Poland	220	700	+480
U.S.S.R.	200	830	+630
Total	2,835	7,944	+5,109

Source: International Sugar Council Statistical Bulletin.

Furthermore, the bumper crop in 1960–61 in Europe not only reduced the import markets in Europe, but there were some increases of exports by European countries, particularly France. It was in fact this situation which made it impossible for the International Sugar Agreement countries to continue the quota allocation system for 1962 and the International Sugar Agreement countries, therefore, are now without the stabilizing influence of the quota control feature of the agreement for price stabilization.

Expropriation of Property in Brazil

The following discussion is to bring into light the truth concerning Brazil's recent action, all designed to protect foreign investments, both as to the CTN case and with reference to the broader question of expropriation of public utilities in order not to jeopardize the good relations between the United States and Brazil. It is first necessary to clarify the meaning of "expropriation" which in Brazil's present case is more a procedure for negotiation. This discussion covers the following points:

1. Expropriation (basis of negotiation) as distinguished from confiscation.
2. Fair compensation procedure.
3. The real objective of the actions taken—to protect foreign investments in Brazil.

1. As to the first point, one should not confuse confiscation as related to the Cuban seizure of American mills and other similar type actions with the right of governments to exercise the power of eminent domain when acting in the public interest. Expropriation of the public utilities involved here is the exercise of the right of eminent domain common in all countries as a necessary protection to the public.

Further light can be thrown on this point by reviewing briefly the background which governed the Brazilian action in the last few months.

In the past few years the urbanization trend and population growth throughout Latin America has emphasized the shortage of public service in many categories of public utilities, including telephone, electric power, etc.

One of the largest foreign investors in Latin America is the company called American & Foreign Power Co., Inc. which has extensive investments throughout Latin America and has been engaged in electric utilities operations in Brazil since 1929. Recognizing the difficulties of meeting the demand in this area, on their own accord, they brought forward proposals for transferring their investments in the public utilities sector to other investments in the respective countries.

In three countries such action has already been taken. In Mexico, AMFORP Mexican subsidiaries sold their utility properties effective March 31, 1960, to the Mexican Government. A second subsidiary in Mexico was sold to the Mexican Government in September 1960.

In Argentina properties of the AMFORP group were expropriated and settlement through the courts was arranged in 1961.

Agreement relating to the sale of a second property in Argentina was signed in October 31, 1958, under which the Argentine Government took over the property.

A third Argentina company was bought in June 1961.

In December 1961 an agreement was reached for the sale of AMFORP properties to the Government of Colombia subject to approval by the Colombian Congress and arrangements were made for the purchase by the Colombian Government.

2. Fair compensation: All of the above arrangements followed a pattern suggested by the AMFORP and negotiated by the respective governments.

With reference to Brazil, a program generally followed the patterns of negotiations in Mexico, Argentina, and Colombia was proposed. The plan calls for an immediate cash payment (10 percent) plus terms over a period of from 10 to 20 years with reasonable interest rates.

The above program was covered in a joint communique issued by President Kenedy and President Goulart of Brazil and reported in the New York Times on May 4, 1962, in which the President of Brazil states "the intention of his Government to maintain conditions of security which will permit private capital to perform its vital role in Brazilian economic development. The President of Brazil stated that in arrangements with the companies for the transfer of public utility enterprises to Brazilian ownership the principal of fair compensation with reinvestment in other sectors important to Brazilian economic development would be maintained. President Kennedy expressed great interest in this approach."

Previous sales mentioned to Mexico, Argentina, and Colombia carried provisions for reinvestment in the transfer of some of the profits using the deferred portion of the purchase price to be applied. Brazil's contemplated action is designed to follow these lines.

We have put on record with the committee the March 1 press release which, in substance, described the Brazilian Government's intervention on behalf of CTN to make the settlement a matter of Federal jurisdiction rather than a state action and to assure equitable treatment under Brazilian laws regarding expropriation.

In other words, the CTN seizure was a state action not a Federal action and the substance of the above is to take it out of the state's hands for settlement.

The May 1 press release of the Brazilian Embassy in Washington, dealt with the broader aspect of the problem by making it unlawful for any expropriation steps to be taken by autonomous state action.

We come now to the May 25 press release of the Washington Post which is credited from Rio and gives the impression that the properties will only be paid for out of the expropriated companies' profits. This is an incorrect interpretation (out of context), of a decree that has not even been published. The actual intent from which this misinterpretation could have arisen has to do with the expression of Federal policy in Brazil that they wish, because of foreign exchange difficulties (shortage), to put the burden of payment for the properties on the public utilities themselves which, in reality, means that they wish to handle the rate structure so that profits would be earned rather than to subsidize the payments out of the Federal Treasury. It was not meant to imply that the contract terms would not be met from other sources if there were no profits. It was an expression of Federal policy in Brazil regarding method of payment rather than that payments would only be made out of profits. To put it another way, this was an expression of a policy of the Government to restrict to the minimum recourse to Federal funds whenever possible, taking into account the consumer situation in the country.

3. The real objective: To protect foreign investments and to provide a basis for negotiation along lines suggested by largest American enterprise in Brazil in the public utility field for the transfer of their investments from a nonprofit operation to profitmaking enterprises.

To summarize:

1. Protect foreign investors.
2. Could not furnish public service required.
3. State action changed to Federal action as a move to protect foreign investors.
4. Fair means of compensations—similar to suggestion by largest American investor in utilities and adopted in other countries.

(Documentation or further explanations to support statement is available upon request to the representative of Brazil.)

ALBERT S. NEMIR,
Representative, Brazilian Sugar and Alcohol Institute.

MAY 29, 1962.

[Brazilian Embassy press release, Washington, D.C., Mar. 1, 1962]

FAIR COMPENSATION FOR ITT PROPERTY EXPROPRIATED IN BRAZIL

Referring to the recent expropriation of the Companhia Telefonia Nacional (CTN) by the State of Rio Grande do Sul, Brazil, the Brazilian Embassy wishes to clarify the misunderstandings that have been printed lately in the press.

The expropriation of CTN was carried out with due respect to existing laws and a sum of money has been deposited for the purpose of the transfer of property. The exact and just value of the indemnity payment will be established only at the moment of a final decision, which may be expedited through an agreement of both parties. The final compensation will be established in accordance with the constitution and laws of Brazil which provide for fair compensation in cash and not in any kind of bonds.

It should be noted that the CTN has been operating without a contract and it had no official concession at all that would entitle it to any kind of compensation for the cessation of its operations. A large part of the controversy arises from the fact that the CTN did not accept the arbitral decision regarding the valuation of its assets, which had been signed by two experts chosen by mutual agreement. This decision had established the value of all property of CTN at Cr$1.350 million which was agreeable to the government of Rio Grande do Sul. The nonacceptance of such decision by the CTN was considered by the State government as a breach of the agreement. The purpose of such an appraisal was to permit the formation of a semipublic corporation capable of solving the problems of telephonic communications, which were highly inadequate. The CTN had a waiting list of several thousand would-be subscribers to telephone service, which it could not fill at all.

It is relevant also that each of the 21 States of Brazil operates autonomously and that the Brazilian Federal Government had nothing to do with the expropriation of CTN property. However, it has been active to accommodate the dispute and several meetings were held at the Brazilian Ministry of External Relations last week in an attempt to reach a mutual agreement. Representatives of the American Embassy, of CTN, of the State government of Rio Grande do Sul and of the Brazilian Federal Government took part in the meetings. Governor Brizzola himself explained to U.S. Ambassador Lincoln Gordon that he was forced to expropriate the CTN exclusively on account of the precarious services it was rendering the communications system of the State of Rio Grande do Sul. Governor Brizzola has reiterated his decision to submit the whole affair to the consideration of the Brazilian courts as the CTN has not accepted any kind of conciliatory proposal.

[Brazilian Embassy press release, Washington, D.C., May 9, 1962]

EXPROPRIATIONS IN BRAZIL

With reference to news recently printed that the Governor of the State of Parana, Brazil, is considering, as a last alternative to current negotiations, to expropriate an ITT subsidiary in Curitiba, a telephone company engaged in interstate service, the Brazilian Government has instructed the Embassy to clarify that an executive decree, dated March 27, 1962, prohibits expropriation, seizure, dismemberment, or freezing of assets of any telephone company engaged in interstate service without prior approval by the National Security Council and a prior hearing of the Minister of Communications. Immediate Federal intervention measures will be taken to prevent the implementation of expropriation by concessionary states before the establishment of a global solution which is being formulated by competent Brazilian authorities.

The above-mentioned decree was issued in time to prevent the expropriation of Brazilian Traction, in Rio de Janeiro, by Gov. Carlos Lacerda of the State of Guanabara. The significance of such Federal action was particularly stressed by the American press as an assurance for investors in public utility companies.

The issuance of this decree was preceded by a policy statement by President Goulart contained in a speech at the Brazilian-American Chamber of Commerce in Rio de Janeiro, on March 23, 1962, where, referring to public utilities, he said: "If any of these enterprises for sundry reasons cannot comply with their duty to serve the public well, and if these same enterprises claim that they are no longer obtaining satisfactory results, on the basis of our wish that

capital should remain here in sectors where it will not be hindered and where it can give a greater contribution to the national progress. It would not be difficult to find a solution by agreement which, while considering the high interests of the nation and people, still would not create embarrassment or cause loss to these foreign capital investments. I assure you that the Brazilian Government has no bias or prejudice of any kind whatsoever against those who represent or defend foreign capital interests."

This policy was reaffirmed by President Goulart during his visit to the United States in his speech before the American Congress, from which the following quotation is pertinent: "I have repeatedly said that we nourish no prejudice against foreign capital and the technical collaboration of the more advanced countries. We desire this cooperation and will assure its full freedom within the legal limits established and under the inspiration of Brazilian ideals."

This approach to meet the question of public utilities was discussed in Washington at the highest level and incorporated to President Kennedy's and President Goulart's joint communique of April 4, 1962: "The President of Brazil stated the intention of his Government to maintain conditions of security which will permit private capital to perform its vital role in Brazilian economic development. The President of Brazil stated that in arrangements with the companies for the transfer of public utility enterprises to Brazilian ownership the principle of fair compensation with reinvestment in other sectors important to Brazilian economic development would be maintained. President Kennedy expressed great interest in this approach."

Therefore, any alarmist interpretation of the news recently printed referring to unilateral action by a state government against an ITT subsidiary are not only inconsistent with present Brazilian legislation but also incompatible with the most recent Brazilian experience.

The CHAIRMAN. Thank you very much, gentlemen, for your statements. Are there any questions? Mr. Poage?

Mr. POAGE. Are you in a position to give us the facts with regard to the arrangements that were made last year in regard to Brazil selling sugar to the United States, and the United States selling wheat to Brazil? We have questioned other witnesses who have come before us about this. We have had witnesses who say they do not know anything about the facts. We have had witnesses who say that they do not particularly care about the Congress and are not particularly interested in those facts. Do you know the facts?

Mr. NEMIR. Mr. Poage, we, of course, have some of the facts. I do not believe that it is proper for me, in my position, not having been employed in any capacity to try to extemporize those. I believe that in the testimony which Mr. Hope gave this morning he produced some of the facts which clarified some of that matter. I am not sure what facts you want.

Mr. POAGE. Can you tell us if Brazil offered to buy a substantial amount of wheat from the United States and to pay for it out of the proceeds she would receive for the sugar that she hoped to sell to the United States?

Mr. NEMIR. It is no secret, Mr. Poage, that Brazil was interested in the principle of offering sugar for wheat.

Mr. POAGE. Did Brazil offer to buy it, that is my question?

Mr. NEMIR. It is a technical one. I am sorry it is a technical question because we know that they wanted to buy. I think that you have evidence that they were intending to buy, but I, personally, am not in a position to answer that question.

Mr. POAGE. You give us the same answer that the State Department gave us, is that right?

Mr. NEMIR. I am afraid that I will have to go further.

Mr. POAGE. Then do it. Go a little further. You have not gone any further yet.

Mr. HATHORN. May I answer, Mr. Poage?

Mr. POAGE. Yes, surely. I would be glad to have anybody answer.

Mr. HATHORN. The facts are, as you know, that the Brazilian delegation came prepared to present an offer to deliver 500,000 tons of sugar to the United States and to accept on a ton by ton basis wheat. The clearances were there insofar as Brazil was concerned, but after consultations with proper people in the U.S. Government they were discouraged to believe that this offer should be formally presented.

So, I think, that at best the group was ready, willing and able to do the transaction that you discuss and have come now again stating that they are ready, willing and able to do it, but after many consultations did not present that formal offer.

Mr. POAGE. You say that they were discouraged—that they went to the proper people and were discouraged—will you tell us who the proper people were? You were their lawyer, and you sent them to somebody.

Mr. HATHORN. Mr. Poage, I would like to make this point very clear that we have only shortly represented the Brazilians. I think that the witnesses for the Great Plains Wheat organization were in much more closer contact with Brazil during this 2-year period when they developed this offer, and I think that they would have been much more prepared to answer this question. We simply have knowledge of the situation.

Mr. POAGE. You do not represent them?

Mr. HATHORN. We do now, but only, you understand, for a very short while, since April of this year.

Mr. POAGE. We had a witness from the State Department who could not tell us, because he had been representing the State Department a very short while. I want to know about it before I give Brazil anything. I want to know about this deal. I do not have any word of criticism of Brazil. So far as I know, Brazil acted all right, but I would like to know what happened. And if Brazil doesn't tell us and the State Department won't tell us, where will we get the information—from the Russian Embassy? I think they have got some of the facts. They, probably, will give us more than anybody else will.

Mr. JONES of Missouri. Will you yield?

Mr. POAGE. Yes.

Mr. JONES of Missouri. I can appreciate the position these gentlemen are in. I am sure that if they had any assurance that the policies of this committee and the Congress would be sustained rather than the policies of the State Department they would be willing to give us a little more information. Right now from past history I think it has been evident that the State Department has been the one that has been exerting the most influence and up to this time have been the ones that have been able to give more consideration to help these people out than we have. I think we will have to have some support for our policies, and at that time I think we will get the information.

Mr. POAGE. In other words, we can act on the supposition and hope that we get the information.

Mr. NEMIR. Brazil did sign an agreement in March to make this trade of 50,000 tons of wheat for sugar which, I think, is a ratification of the policy to do so, if that helps any.

Mr. HATHORN. They presented 300,000 tons in March of this year.

The CHAIRMAN. I thought that they had submitted a proposition that they would buy, ton for ton, up to 500,000 tons of wheat?

Mr. NEMIR. Yes.

The CHAIRMAN. For sugar. And Mr. Jones, in his Subcommittee on Departmental Oversight and Consumer Relations, had testimony to that effect.

Mr. JONES of Missouri. We showed that that proposal was made in Brazil, but when it got to the United States the proposal was never formally presented here because somebody discouraged that proposal being made. And we have every reason to believe that it was the State Department. I have to sympathize with these gentlemen here.

Mr. NEMIR. That is exactly the story, Congressman Jones, as you have stated it—exactly the way it is.

Mr. POAGE. Has anybody appeared before us who does not have to——

Mr. NEMIR. Hedge?

Mr. POAGE. Hedge? Is anybody going to be present, any representative of Brazil, to come before us to tell us the facts?

Mr. JONES of Missouri. If you will yield.

Mr. POAGE. Yes.

Mr. JONES of Missouri. I understood the statement was made that they are making this proposal. I think we have got it in writing right here what they propose to do right now. I understand these people are representing Brazil and they have the authority of the Brazilian Government to make this proposal here.

Mr. NEMIR. Yes.

Mr. JONES of Missouri. I think they have made it pretty clear in their statement today.

Mr. POAGE. I do not understand the proposition very clearly now. I want to repeat, so far as I know there is nothing wrong with what Brazil has done. I think that Brazil was offering a good deal to the United States—a good deal for Brazil and on a sound trading basis. I have had no occasion to criticize the Brazilian action, but I do want to know if you gentlemen know, or if you are not prohibited from stating it, where does Brazil get her wheat right now?

Mr. HATHORN. We have it here in the statement.

Mr. NEMIR. Where she is getting it from right now?

Mr. POAGE. Yes.

Mr. NEMIR. Largely from the United States under Public Law 480.

Mr. POAGE. About how much?

Mr. NEMIR. 800,000 tons, plus 300,000 tons requested from the United States, plus 300,000 tons—some of the 300,000 tons is in normal purchases. Last year——

Mr. POAGE. Let us follow that. 800,000 tons——

Mr. NEMIR. Yes.

Mr. POAGE (continuing). She is getting this year?

Mr. NEMIR. Under Public Law 480.

Mr. POAGE. Under Public Law 480?

Mr. NEMIR. Yes.

Mr. POAGE. For that, she has paid the world market price in cruzeiros?

Mr. NEMIR. This is wheat, Mr. Poage. Did you ask about where she is getting her wheat from? I am talking about wheat.

Mr. POAGE. I am talking about wheat. For that, did Brazil pay the world market price?

Mr. NEMIR. Yes.

Mr. POAGE. And what is that?

Mr. NEMIR. About $70 or $72 a ton in Brazil.

Mr. POAGE. Now then, do you know what the cruzeiros are used for?

Mr. NEMIR. They are used for several purposes, economic development. The United States takes a part of it. I do not have that, exactly.

Mr. POAGE. I would be interested in that, because we have made some trades where we give back 85 percent to start with. And we have made some others where, I think, we have given back 95 percent. And we have made some where we do not give anything. Do you know whether we give Brazil anything or not?

Mr. NEMIR. Those are individual agreements worked out by Agriculture and State and the committees and the Government. I do not have the details.

Mr. POAGE. I know that they are. I am trying to get the information about them.

Mr. NEMIR. I will be happy to get the information for you.

Mr. HATHORN. As I understand it, Mr. Poage, on the Public Law 480 sales, about 85 percent is loans and about 15 percent is for U.S. Embassy uses.

Mr. POAGE. Then there are not any grants?

Mr. HATHORN. There may have been one small grant, the last time—just a moment. As I understand it, there was a grant this year of, approximately, 20 percent which was not requested, but when the documents went back it was included. It was not requested of the State Department.

Mr. POAGE. That is a rather remarkable situation. Again, I do not hold the Brazilians responsible for that. You understand, I think I understand how it came about.

Mr. HATHORN. I think that we are right exactly on the same side of the question as you are, Mr. Poage, but we are sitting here.

Mr. POAGE. I am not blaming you.

Mr. HATHORN. Where we can be diplomatic.

Mr. POAGE. There are people who will protest and complain that I am making statements about Brazil. They will ask, "Where is it in the record?" and I will not be able to tell them. I would like to have something that I can refer to.

So you are buying 300,000 tons from the United States, or was that 800,000 tons—you are buying 800,000 tons from the United States, and paying cruzeiros for it, 15 percent of which will be available for use in Brazil by the Embassy, and 85 percent which will be loaned to Brazil for their people.

Mr. NEMIR. That is not quite it. Is that the breakdown of it?

Mr. HATHORN. The last transaction, apparently, was the United States 20 percent—what is this—private industry 10 percent, grants 20 percent, and 50 percent for the loans back. Now, Mr. Poage——

Mr. POAGE. Which wheat does that represent, the 800,000 tons, or does that represent the 30?

Mr. NEMIR. That is the 800,000 tons.

Mr. POAGE. That is the 800,000 tons?

Mr. NEMIR. Yes.

Mr. POAGE. And there is a 20-percent grant in the 800,000?

Mr. NEMIR. Yes, sir. The past Public Law 480 programs were 85–15, and this last one was negotiated considerably different. That is why we were not prepared to give you the exact figures. We are just getting them.

Mr. POAGE. I understand, you are not trying to hold anything back from me. We do want to get the correct record. It has been 800,000 tons?

Mr. NEMIR. Yes.

Mr. POAGE. And there is an additional small amount of 300,000 tons?

Mr. NEMIR. Yes.

Mr. POAGE. Do you know whether that involved a grant or not?

Mr. NEMIR. No, sir, I do not.

Mr. POAGE. It does not make much difference whether it does or not, I suppose, because you tell me that you did not ask for it and you got it.

Mr. HATHORN. Mr. Poage, I think——

Mr. POAGE. You did not ask for such a grant, but it was given to you by the generous "Uncle."

Mr. HATHORN. I think the main thing here that you may be looking for is this, Brazil is ready and willing to increase the consumption level and the dietary intake of wheat and has a great need for it. As you know, wheat imports are controlled. They would do more if they could find a means of payment. And a grant is not the solution. May I make an off the record statement?

The CHAIRMAN. Yes.

(Discussion off the record.)

Mr. POAGE. That is one thing that disturbs me about the whole proposition. One gentleman this morning said something about making longtime commitments. But that disturbs me, where we may have to cut them back. We, obviously, if we allocate the whole 3,100,000 of the Cuban quota we will have, at least, we hope to cut some of that back in the future. I am disturbed about what we may have to cut back in Brazil and Mexico and other countries.

What is your feeling about that, about accepting the opportunity to sell to the United States a substantial amount of sugar on a one-time basis?

Mr. NEMIR. I have just stated that a one-time basis would not permit Brazil to raise its level of consumption.

Mr. POAGE. I know that it would not. Do you think it would be wise to do that?

Mr. NEMIR. Your question as to the size of the quota, I just want to say that we leave that matter of how much you want to allocate to foreign countries to the committee.

Mr. POAGE. That is not the point.

Mr. NEMIR. What is it?

Mr. POAGE. That is not the point. Let us assume that we reserve to Cuba 2 million tons. I do not know where we will wind up.

Mr. NEMIR. Yes, sir.

Mr. POAGE. Let us assume that we will reserve 2 million tons to Cuba. That means that 1,100,000 tons will be available for distribution, and that is all. We can take care of that. I am not disturbed about that matter. But then we have 2 million tons that we must get somewhere on a short-term basis.

Do I understand that you feel that it would be inadvisable? I am not offering any criticism, because I think I fully agree with you as to the danger. Do you think it would be inadvisable for Brazil to undertake to supply a substantial amount of that 2 million tons that might be cut off any day, any year?

Mr. NEMIR. I think that is too rigid, too fine a point. The point of it is that Brazil is buying, in addition to the 1,100,000 or 1,200,000 tons of wheat from the United States they will be buying in the program we have, at the end of the program 2,500,000 tons of wheat. The point is that they will not be able to go to that level, but there will be 1,500,000 tons that they will have to have, or some port of 1,240,000. They will have to have wheat, regardless of whether they go up or not.

Mr. POAGE. I am not talking about the wheat requirements. I am talking about the——

Mr. NEMIR. The short term versus the long term?

Mr. POAGE. I am assuming, whether correctly or not, that this committee is going to reserve for Cuba some substantial amount. You can mention the figure, you have as good a guess at it as I have as to what it will be. You can guess that. It may be 1 million tons if you do not like to talk about 2 million tons. I do not know whether it will be 2 million or 1 million or 1½ million.

Mr. NEMIR. I will be happy to accept any figure, 1 or 2 million.

Mr. POAGE. I started to talk about 2 million. That means the United States has to get in the next few years a substantial amount of sugar from somebody without giving them any long-term commitment.

Mr. NEMIR. Yes.

Mr. POAGE. I will ask you, is it advisable for Brazil to take on any of that market?

Mr. NEMIR. Well, yes, of course. We have 800,000 tons that we are already selling that we will have to sell in the world market with a depressed market.

Mr. POAGE. All right. Let us assume—we have got to assume now, it is a pure assumption—that we will give Brazil a permanent quota of 100,000 tons.

Mr. NEMIR. That would not help much in the wheat picture.

Mr. HATHORN. Not much.

Mr. POAGE. But where do we go with the 2 million tons? I am simply using these figures, because, gentlemen, you do not help me any when you do not offer any figures. You ask me to take something and I am taking something.

Mr. NEMIR. I would like to make a suggestion then.

Mr. POAGE. What do you think?

Mr. NEMIR. All right, sir, I think that you have a problem of a 5-year bill to allocate sugar to support the Sugar Act in its basic concept of an assured and adequate and stable supply. That is the first consideration.

You have the problem of Cuba as a second consideration.

It seems to me that if one wants to go lower with the figure one can provide the target figure that you wish to keep with Cuba, to lower that figure, give out the quotas and make a gradual restoration of the growth, so that when Cuba comes in at some x date, they can receive the benefit and receive some cutback to allow Cuba to build up to the target figure that you want, but if you leave too much nonquota sugar like 2 million tons, that begins to jeopardize, in my opinion, the Sugar Act's stability feature.

Mr. POAGE. I understand that Congress has the right to take away the entire Cuban quota. I understand that so well. I do not think that the Congress is going to do that.

Mr. NEMIR. No, sir.

Mr. POAGE. It would be quite helpful to me if you would go along with my assumption—whether you agree with it or not, whether it is we should or not. Let us assume that we will leave 2 million to be go along with my assumption you will be quite helpful to the committee. Let us assume that we will leave 2 million tons to be returned to Cuba. It may be unwise. It may be a very foolish thing, but assume that we will do that.

Just assume we will do it for the purposes of this discussion, whether we should or not. Let me assume that we will leave 2 million to be recaptured by Cuba any time she sets up a government we feel we can deal with. Do you think it would be wise for Brazil to accept the obligation to supply us any of those 2 million tons?

Mr. NEMIR. Yes.

Mr. POAGE. Which we know will not be available on a permanent basis?

Mr. NEMIR. We made the point that we are under restriction, that the crops in the last 3 years have been under restriction, that we have 800,000 tons that we have and that we can easily grow more, and I would say, "Yes, definitely, we could accept the nonquota sugar on that basis."

Mr. POAGE. How much?

Mr. NEMIR. As much as the expansion potential in Brazil, which we will make clear to you is 1 million tons over the 800,000 tons. We will have 2 million tons that we could offer in any year.

Mr. POAGE. In other words, you would just about take up all of the slack?

Mr. NEMIR. You only asked me how much we could do.

Mr. POAGE. I know that. You have given me that figure. I want to know: Do you think that is wise in view of your statement that it would cause trouble if you allowed these people to sell, apparently, that amount of sugar and then cut it off?

Mr. NEMIR. We are already in trouble with 800,000 tons in the world market.

Mr. POAGE. Do you think that you would add to that trouble, deepen it?

Mr. NEMIR. We have been using sugar for alcohol, holding back surplus cane. We have in a smaller way the same type of problem that Cuba has.

Brazil does increase its consumption 100,000 a year which can help to take up some slack. So I do not think that the problem of falling back is a problem that we are worried about. We are worried about finding markets for more sugar.

Mr. POAGE. I am interested in knowing whether Brazil is interested in supplying sugar to the United States both on a long-term and on a short-term basis?

Mr. NEMIR. Yes.

Mr. POAGE. I do not think that the United States is anxious to make any commitments with anybody, to give them all of the 2 million tons on a long-term basis. I do not think it can be done. I do think that we will have to give people, some of them, sugar on a short-term basis. I think that Brazil falls into the same category as anybody else when it comes to that. I think that you will get some short-term sugar if you want it, but from your statement I doubt the advisability of your taking it. You raised a question about that.

Mr. NEMIR. I only tried to make this distinction, Mr. Poage, that this is a question of a 5-year commitment versus a 1-year commitment versus the level of wheat on the basis of our proposal on wheat, just that alone. There are other reasons for taking the sugar, but just on the basis of the wheat proposal alone you cannot raise the level of consumption too high in wheat with a short-term proposition, but I think that is a distinction, but other than that we will take it.

Mr. POAGE. Do you think that you would take as much as 2 million tons on a short-term basis?

Mr. NEMIR. If there is not a string attached to it.

Mr. HATHORN. We cannot use the wheat on that basis.

Mr. NEMIR. That is right.

Mr. POAGE. How much do you think you can afford to buy of wheat on a short-term basis?

Mr. NEMIR. The level of consumption in Brazil today is partially based upon the United States supplying Public Law 480 sales to them. Otherwise, I have a feeling they would have trouble in maintaining their present levels of consumption. I do not know how to answer that exactly. It is a question of balance of payments. It is a question of having to import all of their wheat. They only produce 100,000 tons and they need 2 million.

Mr. POAGE. You could not afford to buy the wheat in exchange for sugar and put sugar in a deficit position?

Mr. NEMIR. That is right.

Mr. POAGE. I am asking how much you could afford to get——

Mr. NEMIR. Is this permanent?

Mr. POAGE. On a temporary basis.

Mr. HATHORN. The record shows that they came forward—the record that you were developing—with the proposal involving 500,000 tons for 1 year; that they put forward in the March 1962 tender a proposal to hold sugar in the ports, 300,000 tons of sugar immediately available, so that I would say that you have, at least, an idea that they could go into the nonquota sugar and would be willing to do so, but they feel that the real solution to the balance of payments problem

and to the dietary deficiency problem is being able to go above and beyond the present level of wheat consumption with a permanent basis to pay for it.

Mr. POAGE. You heard Mr. Chapman this morning as to the balance of payment problem between the United States and the Republic of Mexico. How does that compare with your balance of payment problem?

Mr. NEMIR. This morning that was a foreign trade commodity balance and it was not a balance of payment chart. We believe the record will show that the balance of payment problem in Brazil that we will submit to you, is the second worst in the world and has been for the last few years.

Mr. POAGE. We were told this morning as to the amount of American goods purchased in Mexico.

Mr. NEMIR. It is very high. I do not mean to talk about the Mexican problem. They have made a very good point.

Mr. POAGE. We do not question that. Brazil is the largest supplier of the world's coffee needs. And that is the largest single import into the United States. You supply more of it than all of the world combined, do you not, or just about that?

Mr. NEMIR. Well, on the coffee problem Brazil has taken the greatest burden of allocation in the international trade by holding a year's supply off the market to the benefit of her Latin-American neighbors.

Mr. POAGE. I know—I know that, but you do receive from the United States a very substantial sum.

Mr. NEMIR. They are the main customer, yes, sir.

Mr. POAGE. Which is greater than that of any other country in the world.

Mr. NEMIR. Yes, sir.

Mr. POAGE. So I am asking you again how does your balance of trade with the United States compare with that of other countries?

Mr. NEMIR. I have it here, if you will wait for the time to pick it out.

Mr. POAGE. All right. I thought that Mr. Chapman made a fine presentation of that.

Mr. NEMIR. He did.

Mr. POAGE. I think it would be helpful if we could have a similar statement as to Brazil.

Mr. HATHORN. You are talking about two different things. The balance of payments and the balance of trade. As you know, we export a lot of tourists into Mexico and that improves their balance of payments, where it does not show in the trade statistics.

Mr. POAGE. I know that— that is right—I know it does not.

Mr. NEMIR. I will be glad to put this in the record. It shows Mexico and Brazil, two big countries.

The United States exports to Mexico in 1960 were 820 million—imports 443 million. That is a favorable balance for the United States to Mexico that Mr. Chapman was talking about.

In 1961 it was 797 and 538 which is a favorable balance to Mexico in millions of dollars.

Brazil, in 1961, was 486 million imports to the United tSates and 562 million exports, showing a $76 million balance.

Mr. POAGE. That shows we had to pay Brazil more than she was paying us, does it not?

Mr. NEMIR. I say that when you get into the balance of payments proposition you get into trouble. You have to cover the whole country's problem. I am not prepared to testify on that.

Mr. HATHORN. This is trade. You see that is the difference.

Mr. POAGE. That is trade. Brazil was not sending enough to us in the United States in any other way to change that balance, though, was she?

Mr. NEMIR. We were not testifying what Mexico does. They, also, have braceros, the workers.

Mr. POAGE. I was just trying to get the comparison, simply trying to get the facts out here, because I think you do make out a good case for Brazil getting some of this sugar. Please do not get me wrong on that, but I do not want to make a judgment here that is based on inaccurate figures.

Mr. NEMIR. We have 11 pages in this which will cover this, which we will submit to you. We did not want to take the time right here to read it.

Mr. HATHORN. It is all spelled out. It is too long to go into here.

Mr. POAGE. I will be delighted to have it. I am taking too much time, too, but I did want you to tell me if you could, and if you know, how much wheat Brazil is presently buying from the U.S.S.R. and on what terms?

Mr. NEMIR. The trade with the U.S.S.R. is an exchange, not a cash sale—it is an agreement to exchange commodities, coffee, and so forth, a bilateral agreement of exchange for about 200,000 tons of wheat.

Mr. POAGE. About 200,000 tons of wheat?

Mr. NEMIR. Yes.

Mr. POAGE. And they take an equivalent value of coffee; is that right?

Mr. NEMIR. Or some other commodity—coffee, cocoa, or some such commodity.

Mr. POAGE. And does that deal expire this year?

Mr. NEMIR. I think it is this year—it expires this year, I understand, I am informed.

The CHAIRMAN. You have suggested supplying the information for the record. You may do so.

Mr. NEMIR. I will be glad to do that.

Mr. HATHORN. We have it in our statement.

The CHAIRMAN. You have it in your statement?

Mr. HATHORN. It is the supplemental statement.

The CHAIRMAN. Thank you.

Mr. NEMIR. We stated, Congressman Cooley, that the balance of payments in Brazil was one of the worst of the Latin American countries, and we would be happy to support that statement in detail in the record.

The CHAIRMAN. You can there go into greater detail about it.

Mr. NEMIR. We are talking about the balance of payments, not the foreign trade balance. This is not the foreign trade balance. I am talking about the balance of payments which includes everything such as tourists and other things not accounted for in the two-way trade. There are some balances that come out that way.

Mr. TEAGUE of California. Does Brazil have embargoes, tariffs or quotas against the export of American agricultural products into Brazil?

Mr. NEMIR. It is not handled that way. Brazil, because of its foreign exchange situation, has to develop a target for wheat consumption for the year, and they work out their program and submit the figures on importation to reach that target. They have a sort of quota system like we do on sugar—very much like it. It is a controlled arrangement to be sure that the imports are set up against the foreign exchange which they can support.

Mr. TEAGUE of California. Let me ask you this question: Are there any restrictions on exporting of fruits and vegetables from this country into Brazil?

Mr. NEMIR. Yes, I suppose there are, sir.

Mr. TEAGUE of California. Thank you.

The CHAIRMAN. Are there any further questions?

Mr. HOEVEN. Is Brazil engaged in trade with Castro's Cuba at the present time?

Mr. NEMIR. I am not prepared to answer that at this point.

Mr. HOEVEN. Can someone else answer it?

Mr. HATHORN. No significant trade. There are diplomatic relations still between Brazil and Cuba.

Mr. HOEVEN. Brazil still has diplomatic relations with Cuba?

Mr. HATHORN. Still has diplomatic relations, but no significant trade.

Mr. HOEVEN. In that regard Brazil is not cooperating in the Organization of American States, is it?

Mr. HATHORN. I am not in that area of politics.

Mr. HOEVEN. You know that the United States is interested in protecting the integrity of that Organization, do you not?

Mr. HATHORN. I presume it is very interested, yes, sir; and Brazil is also.

Mr. HOEVEN. I notice in your statement you make reference to the Alliance for Progress program.

This issue will be before the Congress one of these days relating to appropriations for the Alliance for Progress. I foresee quite a bit of discussion about the attitude of the Brazilian Government with respect to the taking-over of the property of the American Telephone Co.

Is this not a two-way street? Brazil wants a sugar quota and we want our property protected.

Mr. NEMIR. There has been a press statement by the Brazilian Government on that question, Congressman Hoeven. I have it here. In substance it says that they are working toward a fair solution of the telephone question; that they feel that a solution will be worked out satisfactorily with the telephone people. That is the substance of this press release.

Mr. HOEVEN. I have read news stories to the effect that the Government of Brazil intends to dispose of the telephone property for whatever it will bring.

Mr. NEMIR. I do not think that is the tenor of the negotiations at all.

Mr. HOEVEN. I am just referring to a press report. What is the position of the Government of Brazil?

Mr. NEMIR. I will read this. It is dated March 1, 1962.

FAIR COMPENSATION FOR I.T.T. PROPERTY EXPROPRIATED IN BRAZIL

Referring to the recent expropriation of the "Companhia Telefonia Nacional (C.T.N.) by the State of Rio Grande do Sul, Brazil, the Brazilian Embassy wishes to clarify the misunderstandings that have been printed lately in the press.

The expropriation of C.T.N. was carried out with due respect to existing laws and a sum of money has been deposited for the purpose of the transfer of property. The exact and just value of the indemnity payment will be established only at the moment of a final decision, which may be expedited through an agreement of both parties. The final compensation will be established in accordance with the Constitution and laws of Brazil which provide for fair compensation in cash and not in any kind of bonds.

It should be noted that the C.T.N. has been operating without a contract and it had no official concession at all that would entitle it to any kind of compensation for the cessation of its operations. A large part of the controversy arises from the fact that the C.T.N. did not accept the arbitral decision regarding the valuation of its assets, which had been signed by two experts chosen by mutual agreement. This decision had established the value of all property of C.T.N. at Cr$1.350.000.000 (1,350 million cruzeiros), which was agreeable to the Government of Rio Grande do Sul. The nonacceptance of such decision by the C.T.N. was considered by the State government as a breach of the agreement. The purpose of such an appraisal was to permit the formation of a semipublic corporation, capable of solving the problems of telephonic communications, which were highly inadequate. The C.T.N. had a waiting list of several thousand would-be subscribers to telephone service, which it could not fill at all.

It is relevant also that each of the 21 States of Brazil operates autonomously and that the Brazilian Federal Government had nothing to do with the expropriation of C.T.N. property. However, it has been active to accommodate that dispute and several meetings were held at the Brazilian Ministry of External Relations last week in an attempt to reach a mutual agreement. Representatives of the American Embassy, of C.T.N., of the State government of Rio Grande do Sul and of the Brazilian Federal Government took part in the meetings. Governor Brizzola himself explained to U.S. Ambassador Lincoln Gordon that he was forced to expropriate the C.T.N. exclusively in account of the precarious services it was rendering the communications system of the State of Rio Grande do Sul. Governor Brizzola has reiterated his decision to submit the whole affair to the consideration of the Brazilian courts as the C.T.N. has not accepted any kind of conciliatory proposal.

Mr. HOEVEN. Is that an official Government statement?

Mr. HATHORN. A press release.

Mr. HOEVEN. Who made the statement?

Mr. NEMIR. It is a press release—the Brazilian Embassy.

Mr. HOEVEN. In Washington?

Mr. NEMIR. In Washington; yes, sir.

The CHAIRMAN. Any further questions?

(No response.)

The CHAIRMAN. If not, we thank you, gentlemen, very much, for your statements.

We now call Mr. Wesley McDonald.

STATEMENT OF WESLEY E. McDONALD, ON BEHALF OF PANAMA SUGAR GROUP, ACCOMPANIED BY ROBERTO MOTTA

Mr. MCDONALD. Mr. Chairman and members of the Committee on Agriculture, my name is Wesley McDonald. I am a practicing attorney in the District of Columbia and the State of Virginia and I appear here this afternoon before your committee to speak for and in behalf of the Panama sugar group, known as the Asociación Nacional de Azucareros, which in Spanish mean producers of sugar.

The organization I speak for is wholeheartedly opposed to those provisions of H.R. 11730 insofar as they affect the producers of sugar in foreign countries, with a special reference to the so-called global quotas as opposed to the present long established principle of country-by-country quota allocations. This group thoroughly agrees with the sentiments of the chairman of this committee as expressed in a press release of May 14, 1962, regarding global quotas and recapture of premiums. Global quotas are in effect no quotas.

The economic stability of Panama is of special concern and consequence to the United States because of the very unique and intimate relations existing between our two countries and because of the special economic interdependence of the Canal Zone and the Panamanian community. As a result of this unparalleled relationship, any condition of unemployment, unrest, or economic dislocation in Panama, should be of great interest to the Government of the United States.

The fact that Panama's unique type of economy depends by tradition on its geographical position and on the operation of the Panama Canal has become a cause of serious concern to both governments. In recent years determined efforts have been made to achieve a productive self-supporting economy for Panama that will relieve the Panama Canal operation of its heavy responsibility for the well-being of the Republic.

These efforts are exemplified by the programs of various international agencies, but more particularly by the effective work of the ICA, point 4, mission to Panama and other direct assistance rendered by the U.S. Government. These efforts have produced such concrete results in stimulating agricultural production that the time has now come to organize foreign markets for a portion of this production.

As an integral element in this program of reorienting Panama's economy it is considered that the most urgent necessity to the success of the program is now the securing of a very small export sugar quota of 15,000 tons a year of direct consumption—refined—to be provided to the U.S. market—the vital importance of this quota is emphasized by the following considerations:

(1) Sugarcane is a basic raw product and is the second most important agricultural industry in Panama, being surpassed only by the cattle industry. It is one of the few agricultural products easily adaptable to local conditions and is produced by thousands of small farmers.

(2) It is the policy of the Panama Government to discourage and actually to prevent any increase in processing facilities for sugarcane. Sugar production is, however, one of Panama's most important traditional industries, and the present plants have been developing with increasing efficiency. However, without an assurance of a quota from the United States it is impossible to compete with the depressed prices which are caused largely by the "dumping" that exists in the world's markets.

(3) The present difficulty indicates that the industry may be obliged to curtain its production to the demands of the local market. This, in turn, would mean that thousands of sugarcane farmers—colonos—would be deprived of their means and livelihood. This situation could create great social unrest.

(4) The capacity of the sugar mills in operation in 42,000 tons and the industry will be compelled to operate, if Panama does not get a quota, at about 65 percent of capacity due to the fact that only 26,000 tons can be marketed within the Republic of Panama. If our request for this quota receives favorable consideration it will greatly help Panama to improve its present unemployment situation.

(5) The sugar mills and sugarcane fields represent one of the largest investments in Panama, approximately $20 million, and is the result of more than 45 years of effort.

The following statistics clearly indicate that the trade balance between the United States and Panama is a most unfavorable one for the latter.

Now, Mr. Chairman, on this particular point that I am going to make now, I think this is of vital importance and it has been alluded to by the presentation made by others, and especially the questioning of the members of the committee. We show from official figures that in the year 1957 there was imported from the United States to the Republic of Panama imports at the dollar value of $58,474,256, and in that year, we exported to the United States in dollar value only $21,097,488.

In 1958, the importation from the United States amounted to $51,647,497 and the exportation to the United States from Panama totaled $20,273,879.

In 1959, the figure of importation from the United States was $51,201,244 and Panama exported to the United States $21,541,668.

In 1960, we had an importation from the United States of $56,166,898, and we exported to the United States only $18,740,372.

Now the figures for 1961 will show even a greater balance. We imported from the United States $63,123,432, as against an exportation to the United States of only $20,198,117.

Now, these figures, gentlemen, do not reflect the millions of dollars that have come into Panama each year from the United States into the Canal Zone. Those figures are not reflected here. The figures which I cite to you are entirely the amount of dollar value of importations from the United States to Panama.

Panama imports from the United States approximately 75 percent of all the imports that come into that country each year.

Now, on that point, I want to go from my prepared statement, Mr. Chairman, with your permission, and using the chart which appeared a few moments ago in the presentation by Brazil, I want to show you that this little country of Panama, and this is taken from the chart which is headed "Brazil was the largest importer of U.S. agricultural commodities in Latin America in 1961." That is Chart No. 5. That shows that Brazil is first, Venezeula, Mexico, Chile, Peru, Mexico and then comes Panama, ahead of all the South American and Indies countries, showing that we imported agricultural commodities in 1961 of $10,300,000. We stand ahead of such countries as Cuba, Guatamala, Bolivia, Ecuador, Haiti, Uruguay, Costa Rica, El Salvador, Paraguay, Honduras, Nicaragua, Argentina, and the Dominican Republic.

An exportation or quota to the United States of 15,000 tons of Panamanian sugar would reduce this unfavorable trade balance by $1,400,000, and an effort in this direction should be made bearing in

mind that Panama has for years purchased all of its corn and rice from the United States to supplement its own production, as well as 95 percent of all flour consumed in that little country.

In the last quarter of 1962 Panama will place in operation its first flour mill and will be purchasing from the United States in addition to the corn and rice in the neighborhood of 30,000 tons of American wheat per year. At this point, Mr. Chairman, I want to deviate from my prepared statement and make a comment about the wonderful, fine and timely presentation made this morning by a former member of your committee, former Congressman Hope. In one part there, he referred to certain small export shipments of wheat sent to small countries down there. We want to call your attention to the fact that when we get this flour mill this coming October, we will be able to take over an importation of 30,000 tons of wheat per year. That is the figure that has been supplied.

I want to refer to one of the charts put in the presentation a while ago by the same gentleman representing Brazil. This is their Chart No. 6. It has to do with the importation of wheat among the Western Hemisphere countries receiving nonquota sugar allocations in 1961. That is that Chart No. 6. While Panama is well down on the list in metric tons of wheat imported in 1961—for flour, I should say, not wheat, flour from the wheat—we stand ahead of Ecuador, Nicaragua, Mexico, the Dominican Republic, and Paraguay.

It must be recognized by this committee of the Congress that sugar production has been a most vital factor in raising the standard of living in the rural areas of Panama where in some places one finds the lowest yearly income in the entire Western Hemisphere. The average wage and productivity prevalent in the sugar-producing areas are proving of great assistance and are reflected in other agricultural and processing activities in these areas.

An export quota of 15,000 tons yearly direct consumption would save important agricultural areas from serious economic dislocations and would implement in the most efficient possible manner the enunciated U.S. policy of assisting Panama to achieve economic independence from the canal by converting to an economy of self-production. Panama feels, that notwithstanding the fact that up to this time it has no special agreement with the United States similar to the one that exists with the Philippines for the purchase of sugar, it is of the opinion that it should be accorded the same consideration and treatment as is now given the Philippines in the matter of the importation of sugar into the United States.

Mr. Chairman, we have carefully refrained from belaboring this committee with a long presentation. We have endeavored to present to you in as concise form as possible the real reasons in support of our request for a very small quota of 15,000 tons of sugar for a friendly country as Panama whose relations are so closely interrelated in every way with our own.

Congressmen, in all due respect and deepest sincerity, this is one country where a small quota will go a long way.

I want to thank you gentlemen for your courtesy in letting us appear here. After hearing the presentations of these countries and their big demands and what they produce and what they export and what they hope to export and their need for quotas, we feel that we

shrink up, in the vernacular, to the size of a little pea, but when you reduce it to the size of the colonos down there and their need for a quota, then it is of primary importance to the people in Panama.

The CHAIRMAN. Thank you very much. Any questions?

Mr. TEAGUE. Just one.

Mr. McDonald, if you know, does Panama have sanctions, embargoes, tariffs, or quotas against the importation of fruits or vegetables from the United States?

Mr. MCDONALD. None whatsoever, the gentleman here from Panama tells me.

Mr. TEAGUE. I am very glad to hear that. That does not hurt you a bit.

Mr. MCDONALD. This gentleman wants me to say that this does not come under Public Law 480, that everything is "cash on the barrelhead," hard U.S. money.

The CHAIRMAN. That is what they use in Panama—dollars.

Mr. MCDONALD. The Balboa is a dollar. They do not even print paper money down there.

The CHAIRMAN. Thank you very much, Mr. McDonald.

We will include at this point a statement of Orvin Marquardt of Courtland, Kans.

(The statement referred to is as follows:)

STATEMENT OF ORVIN MARQUARDT, COURTLAND, KANS., MANAGER OF THE KANSAS BOSTWICK IRRIGATION DISTRICT, AND MEMBER OF THE NATIONAL RECLAMATION ASSOCIATION SUGARBEET LEGISLATION COMMITTEE

I speak primarily for a local 26-county area of north-central Kansas and south-central Nebraska in which about 600,000 acres are irrigated by wells, pumps, and gravity-flow irrigation systems. This area has been proven to be well adaptable to the raising of sugarbeets.

We firmly believe that allotting a larger share of our national sugar quota to domestic growers would strengthen our national economy, security, and welfare as well as benefit also our local people.

Sugar is a vitally necessary commodity of a nation's defense, security, and food supply. The world situation remains unsettled and might become worse at any time. Also, to bring about greater stability of our national sugar industry more than 55 percent of our sugar needs should be produced by our own domestic agriculture. Such an expansion on a sound basis would necessarily require a good legislative program and sound planning.

Our area has many potential growers hoping for a program that will allow sugar processors to expand their capacity so domestic growers will produce more of our country's sugar while at the same time also improve the agricultural and local economy in several ways. Acres diverted to growing sugarbeets would be replacing acres that have been producing surplus feed grains. Also, sugar production and related industries would stimulate business and trade in the beet-producing areas. Sugarbeets are a very profitable crop for the grower, lend well to a good crop rotation program, and the byproducts are very good livestock feed.

The land in our region is very productive, the water supply is ample and stable, and our farmers are ambitious with a patriotic dedication toward the welfare and security of our Nation and community. We contend that an increase in the domestic production of sugar would be in the best interests of our Nation and people, therefore we respectfully request enactment of legislation favorable to such an objective.

The CHAIRMAN. The committee stands in recess until 10 o'clock tomorrow morning.

(Whereupon, at 3:30 p.m., the committee recessed, to resume at 10 a.m. Tuesday, May 22, 1962.)

SUGAR

TUESDAY, MAY 22, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 10:20 a.m., pursuant to recess, in room 1310, New House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Jennings, Matthews, Breeding, McSween, Harding, Purcell, Hoeven, Dague, Belcher, Teague of California, Short, Latta, Harvey, Dole, Beermann, and Fernós-Isern.

Also present: Christine S. Gallagher, clerk; Hyde Murray, assistant clerk; and John J. Heimburger, counsel.

The CHAIRMAN. The Committee will be in order, please.

Our first witness is Mr. John C. Duncan, executive vice president, South American group of W. R. Grace & Co., New York. We are glad to have you with us, Mr. Duncan and we will be delighted to hear you now, sir.

STATEMENT OF JOHN C. DUNCAN, EXECUTIVE VICE PRESIDENT, SOUTH AMERICAN GROUP; ACCOMPANIED BY JOHN D. J. MOORE, VICE PRESIDENT, W. R. GRACE & CO.; AND JOHN D. LONE, COUNSEL FOR PERUVIAN SUGAR PRODUCERS ASSOCIATION

Mr. DUNCAN. Mr. Chairman and members of the Committee: I would like to introduce to you, first, Mr. John Moore, vice president of W. R. Grace & Co., who has appeared before this committee several times in the past and is very familiar with sugar legislation. And on my left is Mr. John Lane, who is counsel for the Peruvian sugar group.

My name is John C. Duncan, I am executive vice president, South American Group, of W. R. Grace & Co. of New York, and in that position I am in charge of our South American operations. For 15 years I have been closely associated with Peru and the Peruvian sugar industry, particularly during my 8 years of service with our company in Peru. During the last three of those years, I managed Grace's sugar interests.

I appear before you today as the representative of the Peruvian Sugar Producers Association, a voluntary trade organization located in Lima. The association is composed entirely of private individuals and companies engaged in the cultivation and manufacture of sugar in Peru. This organization has no connection with the government of Peru and receives no government subsidy. W. R. Grace & Co. has

been a sugar producer in Peru for 80 years and is a long-time member of the association. For many decades W. R. Grace & Co. in New York maintained a worldwide sugar trading department and a membership in the New York Sugar Exchange which gave the company a full opportunity to study and observe world market conditions in the sugar industry.

At the outset, Mr. Chairman, I should like to make perfectly clear the traditional position of the Peruvian sugar producers, which we have expressed in previous years before this committee that we recognize fully the primary claim of United States domestic cane and beetsugar producers in the market of their own country. We do not seek to replace a single pound of domestic production but rather to ask for a fair and effective share of the foreign purchases of the United States, and to participate in a sound diversification of the American foreign sugar procurement. We associate ourselves with the testimony given yesterday by Mr. Oscar Chapman on behalf of the Mexican producers that there should be a number of "sugar bowls" and we, too, stand ready to take all appropriate steps to assure a dependable source of sugar to the American consuming public.

May I say at this point that the statement of Mr. Frank Kemp, president of the Great Western Sugar Co., before this committee, in which he underlined the importance of the quota system and the American price to the economies of Latin America was the expression of a business statesman. All friends of an orderly sugar market will applaud him for his vision and understanding of the problem.

With remarkable unanimity, persons conversant with the sugar problems of the United States regard the foreign provisions of H.R. 11730 as a mischievous device to overthrow a system which for a quarter of a century has provided the United States with an adequate and dependable source of sugar as well as furthering a wholesome development in our foreign trade.

The Sugar Act has successfully met its objectives. Over the years it has demonstrated that it can protect consumers and producers alike by providing stability to the trade, fair prices and a fair return. To Peru, the act means all this and more. It means a stable market and a stable price for one of its principal exports which notoriously suffer from the evils of widely fluctuating world market prices.

I would like to commend you on a pamphlet published May 14, which provided us with a lot of information, and is very excellent, and it enabled us to avoid doing a lot of statistical work. It is entitled, "History and Operation of the U.S. Sugar Program." It is an excellent pamphlet and I recommend that it be read by the executive branch.

It is inconceivable that this commodity arrangement which has worked so well for 28 years and which, particularly in the last 2 years, contributed so much toward the economic development of Peru should be upset at the very time when the United States, under the Alliance for Progress, is rendering urgent financial aid to Peru and other Latin American countries to achieve the same objective.

One of the keystones of the U.S. Government's Alliance for Progress program has been the desire to strengthen, not weaken, the economies of the Latin American countries. A major point which has been emphasized is the desire to fortify the development of the private

enterprise system in these countries. In the case of Peru the sugar industry is a vital pillar of its private enterprise economy.

In the total economic picture of Peru, sugar is not merely an export commodity. It is vital to the economic well-being of the country, to balancing its internal budget, to employment and to the stability of the currency. It is an important factor in providing revenue to the Peruvian Government in its effort to advance the standard of living of its people.

In 1961, sugar accounted for $71 million or 15.4 percent of Peru's total exports. To put this in focus, let me point out that an eqivalent perecntage of total U.S. exports would be $3 billion, or say that portion of our exports represented by all food products of every description.

Taxes paid by the sugar industry to the Peruvian Government are estimated for the year 1961 at $19,400,000, accounting for 7.7 percent of the country's total tax receipts for that year. An equivalent percentage of total U.S. tax receipts would be $6 billion or the combined tax payments of the steel, chemical, motor vehicle, electrical machinery, paper, and food industries.

There are about 40,000 sugar workers in Peru. With their families they number 200,000 people who are directly dependent upon the sugar industry for their livelihood.

There is a tremendous interest in the country of Peru in this bill. I have here before me editorials and articles from the Peruvian press from the last 3 or 4 days, since this meeting has been in session. They are, naturally, very upset about the bill itself and quite hopeful that some other action will be taken, but this is an evidence of the interest that there is Peru in this bill before your committee.

But many times this number are indirectly dependent upon the industry. Just as a severe curtailment of steel production affects the entire Pittsburgh area, so too, a cutback in sugar production would have serious consequences in large areas of the country.

The price recapture provision of H.R. 11730 would require Peru to sell its sugar to the United States at normally depressed world market levels. The difference between the United States price and the world market price will be taken in by the Treasury Department through an import fee which, of course, is simply another and presumably more palatable name for a tariff.

To give the committee an idea of the full impact of the proposed legislation on the Peruvian economy, we have calculated the losses Peru would suffer if it had to sell its sugar at the present so-called world market price of approximately 2.5 cents a pound. Peru would lose about $40 million in export revenues which would undermine its exchange. It would lose $19 million in taxes which would cause a deficit in its national budget, promote inflation, and threaten the stability of its exchange. The jobs of its sugar workers would be jeopardized and the country's imports from the United States would have to be curtailed. These imports, over the last 10-year period, have given the United States a favorable balance of $638 million.

Peru is one of the countries in Latin America that has a favorable balance of payments and with it the United States has a favorable balance of trade.

The argument for price recapture, as far as Peru is concerned, is far wide of the mark. Of every dollar Peruvian sugar producers get from the United States price over and above the world market price, the Peruvian Government collects 50 percent in taxes necessary for the economic progress of the country. Wage increases granted for collective bargaining with the Sugar Workers Union have resulted in an average increase of 50 percent of basic wages and social law benefits in the last 3 years. Additionally, the added revenue has enabled the producers to accelerate programs of social improvement.

I would like to illustrate this last point by citing our own activities merely as an indication of what is being done by the sugar companies in Peru to raise living standards of the employees. In Peru Grace produces sugar at two locations.

Here are some of the activities which these two sugar producers support:

A major construction program of housing, schools, and social facilities; 660 modern, fully equipped houses have been completed; 700 more are scheduled in the next 5 years.

Two modern hospitals, with a total of 233 beds, staffed by 11 physicians and surgeons and a full complement of nurses, etc.

Special training schools and classes for all levels of employees to advance them to higher jobs.

Nursery schools, grammar schools, vocational schools, youth centers and recreational programs, employing 116 teachers for 5,000 students.

Social assistance centers staffed by trained social workers, including special courses in home economics and child care for young women.

One of the first self-help housing projects in Peru under which workers can buy their own land and build their own house with free engineering help at a cost of about $1,000 each, financed with a 20-year mortgage at only 5 percent interest, a rate considerably lower than the prevailing rate which exists in Peru.

Complete community facilities in the form of 4–H clubs, Boy Scout troops, credit unions, swimming pools, soccer fields, movie theaters and the like.

In other words, this is a concrete example of the Alliance for Progress in action through sound private enterprise.

The investments which Grace has made in its two sugar properties to modernize, reduce costs, and improve housing and other social facilities total about $9 million. Of this amount we estimate that $3 million has been spent on housing and other social facilities.

Our company is not the only one engaged in such activities. Other companies in Peru are also in the midst of identical programs along the lines of the illustration I have just given. But I believe I have made the point that social improvement programs are under way in Peru and that the sugar companies have been able to accelerate them because of the additional revenue derived recently from selling sugar in the United States.

To dismantle the present workable system and substitute a program whereby the U.S. Treasury collects a sugar tariff from Peru and then relends the proceeds to whatever Latin American government it selects, would seem, in my opinion, to be contrary to the interests of both the United States and Peru.

The loss of a sugar market in the United States at a relatively certain price would impair the social programs which I have described. It would limit the wage increases which the Peruvian sugar workers have a right to expect as the industry progresses and productivity increases. It would also limit the ability of the industry to modernize.

A great deal of equipment used for producing sugar is purchased in the United States. Caterpillar and International Harvester and Allis Chalmers tractors are common sights in Peruvian cane fields. Sugar milling tandems from Farrel Birmingham, boilers from Combusion Engineering, turbines from GE, and vacuum pans, evaporators from Honolulu Iron Works are typical examples of purchases of sugar mill equipment made in the United States. A sound Sugar Act enabling Peru's sugar industry to continue to sell its product for dollars will increase Peruvian purchases from the United States.

Unlike many sugar-growing areas in the world which depend upon natural rainfall for water supply, Peru cultivates its sugar crop in the narrow valleys crossing the desert utilizing the water sources of the Andes. As is the case in the irrigated plantations in Hawaii, this requires highly concentrated agriculture under one central control. Therefore, the traditional system of purchasing cane from small individual growers as is customary in many countries of the world is not as prevalent in Peru although the producers are making a definite effort to interest the small farmers in planting cane on the coast. There is now a definite trend toward a large number of independent planters growing cane for delivery to sugar mills. This healthy trend would be jeopardized if Peru does not have a stable share of the U.S. market.

This is something that we know about ourselves. We are trying to interest the small growers in planting cane. And what they have to have is a steady market and a sure market for their product or they cannot afford to do it.

Peru, like other Latin American countries, is confronted with the very serious problem of having its major exports, on which it depends for its livelihood and economic progress, subjected to wide variations in world market prices. This places it in the position of constant uncertainty as to what its export revenues will be from year to year and reduces to almost sheer speculation the extent of economic development in which it may engage at any one time.

In the case of sugar, however, the U.S. Sugar Act provided Peru with a certain measure of stability along with a source of revenue it could count upon. The act also enabled the sugar companies to plan ahead and to make decisions on plant improvements with a fair amount of accuracy. However, if the bill now before this committee should be enacted, it would immediately throw Peru's sugar exports into the same state of uncertainty as its other exports.

In the half century in which Peru has had the privilege of participating in the U.S. market, it has established a reputation as a competent and reliable supplier. At all times it has done its best to fulfill its quota commitments to the United States. Since the U.S. embargo on Cuban shipments, Peru has cooperated to the fullest extent possible in servicing the U.S. market. As recently as last October with declining prices in the domestic sugar market, Peru voluntarily relinquished a portion of its nonquota allocation in order to help stabilize

these prices. In this and other ways, such as maintaining reserves for periods of crisis and short supply, Peru is anxious to cooperate with the United States in building a stable sugar program.

Peru has always been a stanch ally of the United States. As a leader in combating communism, not only within its own borders but through the entire hemisphere, Peru severed diplomatic relations with Cuba before the United States, and has taken energetic action in the Organization of American States to rid the Americas of communism. In this and other instances it has always stood by the United States. It is also unique among nations as a proponent of the private enterprise system.

In this statement, the Peruvian Sugar Producers Association has sought to emphasize the very serious consequences which H.R. 11730 would have on Peru should it be enacted into law in present form. We earnestly hope that the committee will give full consideration to the position of Peru on this bill and make the necessary changes in it so that the basic principles of the Sugar Act will be preserved.

Mr. Chairman, I thank you for this opportunity to participate in these thorough and constructive hearings which you are holding. History is moving swiftly and great changes are taking place. I hope that the committee's deliberations will result in a new and sound redistribution of the sources of supply to the United States, and that the Republic of Peru will be granted the equitable role in this effort which it merits on its record as a traditional and dependable supplier of sugar.

The CHAIRMAN. We thank you very much for your fine statement, Mr. Duncan. Are there any questions?

Mr. POAGE. I would like to ask Mr. Duncan the question I asked of the Brazilian representatives yesterday. If we may assume that we are going to scrap this global quota concept, then we must, I think, recognize that we are going to reserve some rather substantial block of sugar for Cuba if, as and when there have been satisfactory changes there. It makes no difference whether that is 1 million or 2 million or 2,500,000 tons—whatever it may be—there is going to be a substantial block reserved for that purpose. That is going to mean that the sugar necessary to fill that, pending such time as the needed change in the Cuban Government occurs, will have to come from other friendly nations, and it should, but there are some difficulties, as I see it.

You have pointed out the importance of an assured quantity, how helpful that will be to Peru and other countries to know that they will have this down the line. Nobody is going to know that they will have that quantity whether it be 1 million or 1,500,000 or 2 million tons of sugar, for more than, probably, 1 year's time.

How would you suggest that we handle the distribution of that part? I anticipate that there will be another block of sugar that we will allocate on a permanent basis, but I am not talking about that—I am talking about this which we know is going to be temporary. How would you suggest that we distribute it, on what basis?

Mr. DUNCAN. I feel, Mr. Poage, that that sugar should be distributed to the countries which have been delivering sugar to the United States in the past—the countries that have a quota. I can speak for the Peruvians. They do realize that is a temporary measure and that some time in the future they will lose this part of the quota.

Mr. POAGE. You do not feel that there is any danger then in that way of doing it? Suppose that we gave Peru, and taking these figures out of a hat, an extra 100,000 tons, and then gave them 200,000 tons on a temporary basis—when we cut back 200,000 tons what would be the effect on the economy of Peru?

Mr. DUNCAN. Naturally, any time that you lose a certain amount of sugar it has an adverse effect. There is no question about that. But the Peruvians do expect that.

I can speak for the producers. They understand that. They realize that we have to have some bait for the Cubans, to bring them back in. And this bill as it is here does not provide that at all. Quite the contrary. There is no incentive for the Cubans to come back into the U.S. market, because all they can do is sell at the world market price.

So I feel that the most equitable thing is to have this additional Cuban excess distributed among the friendly nations, with a clear understanding that this will be given back to Cuba the day that they come in.

Mr. POAGE. Do you think there is any merit to the suggestion that that temporary sugar should be allocated solely on the basis of some kind of an agreement whereby the proceeds from that sugar would be used for the purchase of American agricultural products?

Mr. DUNCAN. I think that would be difficult to do. In the case of Peru, as you know, Peru purchases around $20 million a year of American agricultural products, such as wheat and other items. That is about all that they can purchase, so far as I know. They grow their own cotton. They have to bring in the wheat. I think it would be difficult to make it completely contingent on that. I would not agree with that.

Mr. POAGE. Thank you very much.

The CHAIRMAN. Are there any other questions?

Mr. SHORT. What is the pattern of landownership in the sugar-producing areas in Peru? You said something about the fact that a large type operation was somewhat necessary in Peru. Do you have any individual small farms producing sugarcane in Peru?

Mr. DUNCAN. Yes, Mr. Short, we do. As I explained in the statement, the sugar is grown in Peru in an absolute desert. It depends upon water which comes down from the Andes. There is a great shortage of water. So it is a very complicated irrigation system that was developed way back in the days before the Incas. The ideal situation in Peru is when the last drop of water dies on the beach before it enters the ocean. This is about the extent that they use water in that country. That requires a pretty well centralized operation in these valleys, so that it is very similar to the State of Hawaii where the plantations there are irrigated plantations which are very large, and they are dependent upon one centralized control system of water, a very complicated system.

There is a definite trend in Peru toward smaller ownership. I can say that we are interesting more people in planting of cane to be ground in our mills. This is a growing trend. We think it is a very healthy trend, and it would be definitely assisted by stable sugar prices for the Peruvian producers.

Mr. SHORT. Is it possible for the Peruvian producer, the small farmer, to have ownership of a piece of land?

Mr. DUNCAN. Yes, it is possible. We give them technical assistance on some of the planting. We sell them the seed or we help them in that. But it is very definitely possible for the small farmers in certain areas. This depends upon the water situation again. There are certain valleys where it is almost impossible, but in many of the valleys it can be done.

Mr. SHORT. Is there much of a pattern of individual farmownership in Peru, in the country as a whole?

Mr. DUNCAN. In the cotton industry there is a greater number of small farmers than in sugar. Actually, there is not a great deal of land in Peru that is planted in sugar—something like 125,000 acres.

Mr. SHORT. What is the domestic price of sugar in Peru?

Mr. DUNCAN. The domestic price of sugar in Peru? Again, you have to convert soles into dollars, and it works out at today's rate of exchange at approximately 3.6 cents a pound. That is for refined sugar.

Mr. SHORT. That is all, thank you.

The CHAIRMAN. Mr. Duncan, you say that the wages have increased 50 percent. What is the wage rate now, that is, the hourly rate?

Mr. DUNCAN. Mr. Chairman, as you know, when you try to compare wages between one country and another country—and to compare them in dollars—it is a very difficult thing to do. We know that the sugar workers in Peru, of which there are 40,000, are better paid than in the entire agricultural field, and equally well paid as compared to the major industries in Lima.

We made some calculations recently. We know that a sugar worker, for example, is paid, approximately, as much as a policeman, which gives you an idea of the standard of living of the people. You cannot convert it into actual dollar payments as we do back here. If you do, you get a great distortion.

We know that on our plantations there are a great number of workers trying to come to work for us. They have a very fine standard of living.

It is very difficult to give you an actual figure in dollars compared with what the figure would be here in the United States, for example, and in other countries. As to other countries in Latin America, the Peruvian sugar workers are well paid.

The CHAIRMAN. Why can't you give us the figures in dollars? You have the sugar value in dollars.

Mr. DUNCAN. An overall figure in dollars.

The CHAIRMAN. Is it 50 or 75 cents an hour or $1 a day?

Mr. DUNCAN. I will give you a figure of what they get for a year's work, which I do have with me. That works out, roughly speaking, to $1,500 a year. Remember one thing, in Peru we have the advantage that the sugar worker works the year around. He has no dead season like they have in Cuba. It is a regular year-round employment, which is a great advantage.

The CHAIRMAN. Thank you very much.

Mr. JONES of Missouri. What portion of the sugar in Peru is processed by Grace?

Mr. DUNCAN. About one-sixth, sir.

Mr. JONES of Missouri. And as to what proportion of the production do you have control over the land—that same proportion?

Mr. DUNCAN. More or less; yes, sir. Our yield is about the same as anyone else's.

Mr. JONES of Missouri. In other words, you actually own some of the land now producing sugar?

Mr. DUNCAN. Yes, sir, we do.

Mr. JONES of Missouri. What percentage of the acreage would that be?

Mr. DUNCAN. We have 25,000 acres planted in cane. We do own some other land, but that is practically all desert.

Mr. JONES of Missouri. You process sugar for producers other than yourself?

Mr. DUNCAN. That is right; we do.

Mr. JONES of Missouri. You have two mills there?

Mr. DUNCAN. That is right.

Mr. JONES of Missouri. How many other mills are there in Peru?

Mr. DUNCAN. There are, approximately of a good size, about ten other mills.

Mr. JONES of Missouri. Thank you.

Mr. HAGEN of California. What is your present quota and what do you seek as a fair increase?

Mr. DUNCAN. Our present fixed quota is, roughly speaking, 110,000 tons. Peru feels, like the other full duty countries, that they should have an increase in that quota, and that this is an opportunity with Cuba no longer able to sell to the United States, and where the United States is seeking to get additional sugar from other countries in South America and of the world. As far as figures are concerned I feel that we would like to leave that up to the discretion of the committee.

Mr. HAGEN of California. What is your target?

Mr. DUNCAN. We have for export from Peru, in excess of 600,000 tons. We would be very pleased if the committee would give us 600,000 tons.

Mr. HAGEN of California. What do you seek? What could be handled in your present mill capacity? You do not give an exact figure.

Mr. DUNCAN. That is true. We have the capacity for it. Peru has not been able to expand its production as much as some other countries because of limitations on water which I described previously.

Mr. HAGEN of California. Thank you very much.

Mr. BREEDING. Mr. Duncan, I would like to follow up a little bit on the ownership proposition. As to these 125,000 productive acres of sugarcane land, is that owned by these 10 companies you speak of?

Mr. DUNCAN. No, sir. That is the total acreage. I have tried to estimate that there must be over 100 owners of individual areas, individual growers of sugar in Peru.

Mr. BREEDING. Does the Government own some of this land?

Mr. DUNCAN. Not to my knowledge, sir.

Mr. BREEDING. It is strictly private ownership?

Mr. DUNCAN. Strictly private enterprise, the sugar industry.

Mr. BREEDING. Thank you. That is all.

The CHAIRMAN. Thank you very much, Mr. Duncan. We are very glad to have had you here.

Mr. DUNCAN. Thank you.

(The following statement was also submitted to the committee:)

MEMORANDUM PRESENTED BY THE DELEGATE OF THE PERUVIAN FEDERATION OF SUGAR WORKERS OF PERU

We consider that the trade policy which the United States proposes to follow with respect to the Peruvian sugar is contrary to and is inconsistent with the spirit of the Punta del Este Charter. We all know that this charter was the result of, and greatly inspired by President Kennedy both in his address to the Latin American Ambassadors and in his subsequent message to Congress of March 1961.

At Punta del Este the American Republics, including the United States, undertook formal commitments to become associated as stated therein in a "* * * common effort to reach a greatly increased rhythm of economic progress and with greater social justice for our people * * *"; emphasis was placed in increasing agricultural production (title 1, par. 5) on the one hand and on the other to move all possible obstacles to the expansion of our mutual trade (title 4, ch. I); also that efforts should be made to avoid price instability.

Furthermore, importing countries agreed to reduce and if possible abolish all restrictions and discriminations in the trading and consumption of primary products and raw materials (title 4, ch. I).

We are therefore truly concerned with the administration's proposed plans for the sugar trade. If they were to be enacted into law it would provoke the most serious disruption in the economy of Peru that not only would be reflected in the degree of social progress that we are endeavoring to make as a country, and would prove disastrous to the 220,000 people who depend on sugar in Peru for their daily bread.

Sugar in Peru contributes to the general budget of the country more than 5 percent of the total receipts. Furthermore, sugar finances 15 percent of the country's imports that come largely from the United States. Last year Peru's imports were above $450 million.

Labor in Peru is most disturbed at this alarming trend in U.S. policies, for the reductions that would be the consequences of these proposed measures would affect them most immediately and directly. The friendship of the Peruvian people for the United States has been proven on many occasions, and those of us who are concerned—as friends of this great democracy—with these policies, find ourselves in a much weakened position most especially, as it is no secret, in view of the present dangerous ideas that tend to delude the public in their beliefs.

This is most emphatically exemplified at this time where in Peru democracy has worked uninterruptedly for the past 6 years, and it is our hope that this foundation may prove solid for the future and which would not be helped by having the largest employer of labor in Peru placed in a position of economic crisis.

Therefore, in the interest of labor generally, and organized labor in Peru, it is our urgent plea that the sugar legislation that be enacted bear in mind the above considerations and permit my country to export to her traditional markets.

LEONIDAS CRUZADO QUIROZ,
President of the Federation of Sugar Workers of Peru.

The CHAIRMAN. The next country is Costa Rica. We have a lot of lobbyists and lawyers in this place. We have one who has not been here before. We will be glad to hear you now.

STATEMENT OF DINA DELLALE, ON BEHALF OF THE SUGAR INDUSTRY OF COSTA RICA

Miss DELLALE. Mr. Chairman and members of the committee, my name is Dina Dellale. I am the registered representative of the sugar industry of Costa Rica. Costa Rica, it is true, is one of those little Latin American countries that has been discussed here with affection, but there is a difference as far as we are concerned, and it is that difference that I would like to present to the committee.

The Republic of Costa Rica lies between Panama and Nicaragua in Central America. Its land is fertile and productive. It possesses ports on both oceans to facilitate its international trade and the economy is primarily agricultural. In this era of upheavals, riots, and revolutions, this nation is a fascinating working example for all in its political and social stability. While democracy in action has become a mere slogan in most parts of the world, here you can find it operating daily with responsibility. The President walks the streets of the capital, San Jose, without fear or bodyguards. The widespread distribution of wealth, a vigorous agrarian reform that finds one out of every five Costa Ricans owning his own land, and the intensive expansion of educational facilities as the foremost national aim, are the keys to why Costa Rica is different.

May I give you an unusual example. Costa Rica has no army. With a great sense of the practical, the Constitution of 1949 decreed that money formerly invested in the army would go to building schools, and all weapons were exchanged in the United States for plows and tractors. The educational drive was intensified to such a degree that the illiteracy rate of the population was reduced to 17 percent. To be a citizen here is a source of pride. This spirit is reflected in their leaders and measures were initiated to insure collective well-being. No community, however small or remote, has been excluded from the benefits of these guarantees of a better life.

Internationally, Costa Rica has followed a single line of conduct, characterized by a scrupulous respect for agreements and treaties. I would like to direct the committee's attention to a most salient fact. Costa Rica stands in the forums of the world, and the hemisphere, ready to defend the principles of freedom and democracy. She has one vote, which when casted is of equal importance to the vote of any great or large nation. It is with conscious deliberation that this vote is given, and never at any time has there been an implication that this vote could be bargained for or brought. I stress this to the members of the committee, for while Costa Rica is, in all probability, the most constant nation in her friendship for the United States, her support to this great friend has been given freely with dignity in mutual defense of liberty. She has consistently repudiated the ideology and destructive maneuvers of the Soviet Union, maintaining no relations with that country. The existence of the Communist Party is forbidden by law. Trade relations are incompatible as well as unthinkable, and at no time would ever be considered. Small as Costa Rica is, she has often taken the initiative in her friendship with the United States. She did so after the treacherous attack on Pearl Harbor, declaring war on Japan and the Axis Powers a full day before the United States.

I have stressed the character and behaviour of the Costa Rican people to show the committee that there exists a real difference, politically and socially. Now I will present the economic difference.

As a country with an overwhelmingly agricultural economy, the major part of their income is derived from the exports of what they produce. The revenue from this source does not constitute the patrimony of a few but belongs to the majority of the population since the distribution of land compels this. The growth of the population is increased continually as Costa Rica has among the highest birth

rates in the world, and this compels them to produce on a larger scale, to extend their markets, and to follow, perhaps more quickly than most Latin countries, the pace of progress. It, therefore, became necessary many years ago to substitute the monoculture of coffee with a diversification of agricultural activities to balance the economy of the country and to maintain and increase their standard of living which is the highest in Central America.

Sugar represents an important factor in this economy. Land which was unprofitable for raising other crops now is valuable in the cane it yields and as a source of employment. Sugar is not a family affair in Costa Rica, 27,000 small farmers cultivate cane on their own land. Some 53 percent of the sugar farms are less than 34 acres and 90 percent are less than 170 acres. There are 33 mills. Counting the families of the sugarcane farmers and the employed laborers, one-tenth of the population depends on sugar for a livelihood. Sugar is serious in Costa Rica. Here it is not a case of one or two mills accruing great wealth on one hand and dispensing pennies with the other to those slaves of the soil that are able to raise a few acres of cane. No such inequity exists here, for the Chamber of Sugar which consists of the 33 mill owners guarantee to the 27,000 farmers a minimum yearly price plus a share in whatever other benefits are received.

When I ask the committee to consider the difference of Costa Rica, I respectfully request them not to consider Costa Rica collectively in that group of "little Latin American countries" but singly and on her own merits and performance. We have been one of the children of the Sugar Act since 1948. When our great and good friend to the north could no longer bear the insults of Castro and shut the door to the sugar of Cuba, we stood ready, without any long-term guarantees, to fill the void to the extent of our capacities. These past 3 years, we have built up a historical performance. In adjusting the basic quotas of the original quota countries, we ask that this record be considered as well as our future capacity of production. It is our hope that before quotas are considered for new countries, that consideration is given to those of us who have been around with you a long time.

Last year Costa Rica shipped to the United States 30,250 tons with a basic quota of only 3,616 tons. This year our estimated surplus will be 45,000 tons and by 1966 our surplus will reach 80,000 tons. We understand and agree wholeheartedly with the committee in reserving a specified amount for Cuba when she returns to the fold of free nations. There would not be one of us, who for selfish reasons, would withhold this aid of our sad neighbor. Our request, therefore, is for a reasonable increase of our basic quota to 30,000 tons and a proportionate share of the Cuban allotment and the deficits as long as they continue. All of our future quota will enter this country as raw sugar. We have adjusted our mills to fill this requirement and stand ready to do so now.

With this assurance, the sugar industry will continue to be a vital, growing force in the economy of Costa Rica. Without it, will come unemployment, poverty, and stagnation. These factors will sow the seeds of a future filled with unrest and instability. Our commercial trade balance with the United States has been unfavorable to Costa Rico for many years. In 1960, the deficit was $13 million; in 1961

the amount was $10 million. We are among your biggest customers per capita. We want to continue to buy from the United States, but we want to pay for what we purchase with money that is earned; not borrowed. We do not wish to turn elsewhere because of a lack of dollars.

While this increase will bring many mutual advantages, Costa Rica would like to proffer a small gesture to her friend. Each year, 5 percent of her entire quota, basic and nonquota allocation, will be set aside, stored, and financed by the Chamber of Sugar, to be at the call of the United States in case of emergency. This special reserve will grow from year to year and does not carry with it any sort of an obligation on the part of the United States.

Mr. Chairman, Costa Rica is a small nation but her capacities are large for democracy, for work, and for friendship. I thank the committee for their attention.

The CHAIRMAN. Miss Dellale, that is a very fine statement. I am sure the committee appreciates the information you have presented to us on behalf of Costa Rica and I am sure your petition will be received with every consideration.

Mr. LATTA. I want to compliment you on one of the best statements I have ever heard since I have been a Member of Congress.

Miss DELLALE. Thank you.

Mr. LATTA. I want to particularly compliment you for that part of your statement on page 5 which says, "We want to continue to buy from the United States, but we want to pay for what we purchase with money that is earned, not borrowed. We do not wish to turn elsewhere because of a lack of dollars."

That is a very fine statement which we very seldom hear in the Congress of the United States.

Miss DELLALE. Thank you very much.

Mr. LATTA. Thank you.

The CHAIRMAN. We thank you again.

Miss DELLALE. Thank you.

The CHAIRMAN. We will next hear from Mr. Ralph W. Gardner.

STATEMENT OF RALPH W. GARDNER, GARDNER, MORRISON & ROGERS, REPRESENTING SUGAR GROWERS OF THE ISLAND OF MAURITIUS

Mr. GARDNER. Mr. Chairman and members of the committee, for the record, my name is Ralph W. Gardner. As a member of the law firm of Gardner, Morrison & Rogers, 1126 Woodward Building, Washington 5, D.C., I represent all the sugar growers of the island of Mauritius and the Mauritius Chamber of Agriculture, Port Louis, Mauritius.

I wish to express my appreciation to the chairman and members of this committee for the opportunity of appearing before you.

First, I wish to state that I will not attempt to suggest to this committee how Congress shall allocate the United States of America's estimated sugar needs between the domestic and foreign producers; however, on the share that is to be allocated to foreign suppliers, I would like to present briefly the reasons in favor of Mauritius supplying sugar to the United States.

I had to rewrite my entire statement last night, because I found out that the press did not know where Mauritius is, or that hardly anyone else does. And I know that I cannot sell you all on my case unless I tell you about it.

As a matter of fact, several of your members will be invited to Mauritius, and I hope will or should go to the International Sugar Conference that will be held there this summer. And it is customary for the chairman and one or two other members of this committee to attend that meeting.

Mauritius is an island situated in the Indian Ocean, some 1,600 miles east of Africa and 550 miles east of Madagascar. It is approximately 2,500 miles south of India.

Mauritius is 39 miles long and 29 miles wide. It measures 720 square miles or 460,800 acres and is about the size of Rhode Island, the smallest State in the Union.

It is a very small country, even compared to Costa Rica.

Your county of Nash, Mr. Chairman, has 354,288 acres. Mauritius is a little bit larger than Nash County.

And Mr. Vice Chairman, McLennan, Tex., has 660,000 acres. So your county has 200,000 more acres than the island of Mauritius.

For those who have never had the pleasure of being in Nash County or McLennan County will know, the island of Mauritius is 10 times the size of the District of Columbia.

Mauritius, with a population of over 650,000 inhabitants, has a density of 900 persons per square mile. Except for Taiwan (Nationalist China) no other country in the world has a population density approaching that of Mauritius.

Perhaps greater than that or less perhaps in point, than Hong Kong, which is just a big city and a refugee city.

The island was known to Arab sailors during the Middle Ages, and was on maps of 1500 with an Arabic name. It was discovered by Portuguese sailors in the early part of the 16th century. The Dutch took possession of it in 1598 and renamed it Mauritius, after Prince Maurice of Nassau, and actually occupied it between 1638 and 1710. It was from Mauritius that Tasman, the great explorer, in 1642 set out on his most important voyage of discovery of New Zealand. It was during the Dutch period that the "dodo," a bird peculiar to Mauritius, became extinct.

Anyone who has seen "Alice In Wonderland" has heard of the dodo bird, that is, the expression as "dead as the dodo bird." That is where it came from and where it died.

In 1715 the island was taken over by the French who settled there and colonized it. This is the first homestead act, I guess, in history. The King of France picked a number of farmers, the best farmers he could find. He gave them 100 to 200 acres of land—he divided up the entire island—on the condition that they would go there and live and colonize it and grow sugarcane. And they went.

They renamed the island "Ile de France." The French around 1722 brought in African slaves to work in the sugar fields. The island remained in French hands until 1810, when, on account of its strategic position (called The Star and Key of the Indian Ocean), it was seized by the British. In 1814 it was formally ceded to Britain by the Treaty of Paris and the island was renamed "Mauritius." However, the

French settlers were permitted to retain their language and religion. As a result, French and English are both still spoken on the island. English is used for official purposes. The most commonly heard language, however, is Creole, a colorful language mainly derived from French, which is the language which you hear in New Orleans today.

After the British took control of Mauritius, the island flourished due to the ever-increasing export of sugar to England.

In 1833 the slaves were freed (a good many years before our War Between the States). This raised problems on the sugar plantations as the newly freed slaves were reluctant to work for their former masters. The planters responded by importing indentured laborers from India—over 450,000 of them between 1836 and 1904—of whom about 315,000 remained to settle in Mauritius. And they are very fine citizens.

As a result of the heavy immigration of the 19th century the ethnic composition of the population changed dramatically. The 1959 population of approximately 631,000 comprised about 181,500 Europeans and descendants of Europeans, and people of African and mixed origin, 427,000 Indians and 22,500 Chinese.

Since 1810 Mauritius has remained under the British crown; however, she is now on her way to complete self-rule and independence.

Mauritius is a crown colony of the British Empire, but it has progressed rapidly since 1947 from the crown-colony status to representative and largely responsible government. At present, it is administered by a Council of Ministers appointed by the Governor from the Legislative Council which is composed of three officials, 12 nominated members and 40 members elected by the people on the basis of universal adult suffrage.

Although a very small country, Mauritius has had long-standing trade relations with the United States. Unfortunately it has been on a virtually one-way traffic basis: Mauritius importing and the United States exporting. This one-way traffic is not healthy and cannot continue indefinitely.

I believe in 200 years—as a matter of fact, I looked back in the record, and the United States, counting last year, which was $2,000, it has been around $3,000 worth of goods purchased from Mauritius.

Prior to World War II, Mauritius imported American goods on a fairly large scale; motor cars and parts, plows, tools, motors, machinery, chemicals, agricultural tractors, lubricating oils, sugar-making machinery, "Virginia Bright Leaf" unmanufactured tobacco, et cetera.

Mr. Cooley, North Carolina, South Carolina, Georgia, and Virginia tobacco.

For a period after the war these imports were somewhat reduced because Mauritius was not a dollar-earning country; however, Mauritius was able to continue the importation of "Virginia Bright Leaf" unmanufactured tobacco, agricultural tractors and sugar machinery on a fairly substantial scale. It had to fight hard battles with the United Kingdom in order to obtain the necessary dollar allocation.

The annual report of the Customs and Excise Department, published August 1960—which is the latest that I could get—shows that for the years 1958–59 Mauritius imported about 18,500,000 rupees (about $4 million) worth of articles from the United States and a complete list of commodities and articles are in exhibit A, which as

stated are contained within the exhibit and names the things that we purchased from the United States during that period.

Agricultural products, mostly unmanufactured Virginia Bright Leaf tobacco, represent about one-tenth of Mauritius' imports from the United States, the total value of which would buy about 20,000 tons of sugar annually.

The importation of tobacco increased steadily in recent years following upon the decision of the British American Tobacco Co. (Mauritius) Ltd., one of the Amalgamated Tobacco Corp. (Mauritius) to manufacture, in Mauritius, competing brands made from 100 percent imported leaf tobacco. Imports from America have shown a corresponding increase over the same period.

There can be no doubt that, if Mauritius could obtain an outlet on the American market for its sugar, this would strengthen the trade lines and facilitate the importation into Mauritius of agricultural commodities of all types as well as more chemicals, drugs, food, cigarettes, lubricating oil, et cetera.

Rice is our biggest staple. That is a commodity that is classified in excess supply here. We do not have any tariffs at all on any rice coming into Mauritius. And there are other agricultural products that we require. We have to buy everything we need.

All these and hundreds of other articles are now being imported on a relatively small scale, but the scope of increasing imports from America is great indeed.

Mauritius is an island comparatively isolated in the Indian Ocean. It has no coal, oil, iron, tin, copper, gold, silver, or mineral resources of any kind, being volcanic in origin. The country depends exclusively on agriculture and agricultural industries. No country in all the world is so entirely dependent upon agriculture.

Mauritius measures 460,800 acres (including about 3,000 acres of inland water bodies). Sugarcane is grown on 45.2 percent (208,100 acres) and tea, food crops, aloe, and tobacco are grown on 3.7 percent. Forest land and natural reserves account for 21.3 percent. Scrub grazing land, meadows, and waste land account for 17.4 percent. Thus we see that 87.6 percent of all the land is in agriculture, managed forestry, grazing land and some waste land. It is interesting to note that only 5 percent of the lands in South America are tilled for agricultural purposes and only 24 percent in the United States of America.

Mauritius is essentially, in fact almost exclusively, a sugar-producing country.

As indicated above, 45.2 percent of all the island's area is in sugarcane cultivation. Of this total 52 percent is owned and cultivated by 23 sugar mills. These mills are owned by 21 separate corporations with hundreds of stockholders. Only two sugar mills are owned by nonlocal interests (English owned).

Forty-four percent of all the sugar land is owned by freehold planters, whose holdings mainly are under 10 acres of land (17,829 owners). There are 903 cultivators who own between 10 and 99 acres. There are 73 who own 100 to 199 acres. There are 37 who own 200 to 499 acres; and 9 who own 500-and-over acres.

Tenant farmers rent and cultivate 4 percent of the remaining land. There are 2,718 farmers in this category.

Sugar accounts for 98 percent of its entire export trade, and no country in the world can come anywhere near close to that figure.

It is the largest single colonial sugar exporter of the whole British Commonwealth and, in fact, it is now the seventh largest world exporter of sugar.

I do not believe there is one person in a million in the United States who has ever heard of Mauritius before and can find it on the map, but it is a tremendous force in the sugar world and has been for 200 years.

I looked this up last night, in comparison with Peru, with its extra allocation, and Mexico, which jumps to something over 700,000 tons. We are actually the ninth largest world exporter of sugar, but if Cuba comes back into the picture we will drop back again.

Sugarcane is the only agricultural commodity that can sustain a country with the world's second highest population density per acre. It is also the only commodity that has been able to resist the cyclones and droughts that periodically occur.

All attempts made over the last 100 years to diversify the economy have met with no real success, although Mauritius does produce some aloe fiber, tea, maize, potatoes, peanuts, and a small amount of tobacco for local consumption. There is also a fishing industry which is almost sufficient to meet local requirements.

A small tourist business is now being started. Mauritius is a very beautiful island. We are in the tropics, but the climate is maritime and there are exceptional facilities for swimming on sandy beaches, yachting, fishing, sightseeing, et cetera. New hotel accommodations are being built to accommodate the hundreds of participants in the International Sugar Conference to be held in Mauritius in mid-1962. I do not think that of the 44 nations which produce 88 percent of all the sugar in the world, picking Mauritius for place to hold the conference, they would not have done that unless it was thought to be a real force in the sugar world.

The United Kingdom (which consists of England, Scotland, Wales, and Northern Ireland) takes some four-fifths of Mauritius' sugar exports, but supplies only a little over one-third of its imports; they have been doing it for years, I do not know if there is any connection or not, but we know the English consume more sugar per capita than any country in the world. Other countries of the British Commonwealth (mainly Canada) take about 17 percent of Mauritius' sugar, and this group of Commonwealth countries (mainly Australia, Burma, India, and the Union of South Africa) supply about one-third of her imports. Our other source of sale has been Canada, and what is left we have to sell on the world market. In other words we have to dump our excess. Non-Commonwealth countries take less than 5 percent of Mauritius' exports but supply 25 to 30 percent of its imports—most of these coming from the United States, France, West Germany, Iran, Japan, and Thailand.

Nearly one-fourth of the tax revenue is derived from the 40-percent flat rate on the undistributed profits of corporations (about three-quarters of this tax is borne by the sugar industry). Dividends are taxed in the hands of shareholders at the rates applicable to the individual holder. These individual income tax rates vary from 10 percent of the first $1,000 of chargeable income up to 70 percent on all chargeable income in excess of $10,000. That's awfully high, but

we have got to have that money. The individual income tax provides about 17 percent of the tax revenue.

Nearly 47 percent of the tax revenue is derived from import and excise duties, which primarily are revenue raising rather than protective in nature.

In May 1961 the Legislative Council imposed a 5 percent ad valorem tax on all sugar to be exported from Mauritius for general revenue purposes.

There are other general taxes on motor vehicles—we are taxing sugar when we send it out, trading licenses, registration fees, lotteries, bets, etc.

Articles of mass consumption, such as rice, cereals, and salted and dried fish, carry practically no import duties or tariffs.

It goes without saying that education, health, public assistance, capital improvements, cost of government administration, police, agriculture programs, etc., are all dependent on the quantity and price of sugar sold each year plus the revenue from tariffs on articles that are purchased with the money received from the sale of sugar.

Due to the fact that sugar cane cultivation has been the primary source of life on Mauritius from the mid-18th century until the present day, it is not surprising that Mauritius is one of the most highly efficient sugar producers in the world today. The sugar mills are modern. I call it a country—it is a state. It is the only country that can compare with out sugar mills and equipment that goes with it—and in terms of extraction-recovery rank near the top among the principal cane sugar producing countries. We are third is extraction-recovery. The entire sugar industry is highly and heavily mechanized. Ever more powerful units are being brought into use. Well informed persons in the industry are of the opinion that Mauritius could increase output by 150,000 to 200,000 short tons in a very short period by seeing that the small land owners applied adequate and proper amounts of fertilizer to their crops. We think we can do that in 1 year's time by proper fertilizer on the small parts.

Mauritius' total market for its sugar amounts to 599,000 short tons, composed of the following outlets:

	Short tons
1. Commonwealth sugar agreement quota	526,000
2. International sugar agreement quota	44,000
(there is no agreement now, you know, since Cuba would not work on it in December)	
3. Local consumption	29,000
Total per annum market	599,000

Mauritius is currently producing around 650,000 short tons of sugar; and by proper fertilization it can and needs to increase this amount by another 150,000 to 200,000 short tons in order to sustain its standard of living.

Since there is no scope for increasing local consumption materially, it is clear that, unless additional export outlets can be found for its surplus sugar, Mauritius will be forced to discontinue the production of sugar on the present scale—let alone increase its output. This will have untold consequences on the economic life of the country.

The gross national income per capita rose after World War II until 1953 when it started its decline and it has been declining every year since. The rate of increase in population is the second highest in the world. In the years immediately following World War II the elimination of malaria and massive improvements in sanitation and public health caused a revolution in the balance between births and deaths. The future is truly terrifying because Mauritius is a small island—we can't make the island any bigger—dependent on agriculture (sugar), with a strictly limited amount of land and with an already existing pressure of population on it. The standard of living is low, much lower than the standards of Western Europe and North America. The gross per capita income is about $225 per year, which is considerably less than found in Latin America.

With its overpopulation problem (650,000 inhabitants, which at the present rate of growth will reach the alarming figure of close to 3 million within 50 years), its declining standard of living, and its present political emancipation, Mauritius is definitely an easy prey for international communism unless it receives prompt and adequate support from the West. The best form which such help can take is seeing that there is an outlet for sugar at a remunerative price.

There are signs already of some local politicians turning to Communist China for an outlet for sugar. (There is much discussion in certain groups as to whether or not necessary economic acceleration lies in fact with the East rather than the West.) There can be no doubt that the securing of a sugar quota on the market of the United States would provide the pro-Western leaders of Mauritius with real arguments against those who are trying to turn the masses against the West.

Mauritius is still a valuable strategic base and outpost for Western Powers in the Indian Ocean. Whenever the Suez Canal has been closed—we are right at the entrance of the canal to the Red Sea—Mauritius has assumed considerable military and naval importance as it is located at the crossing of the sea routes linking Australia, India, and the East Indies with South Africa.

I am not revealing any military secrets. I have not seen it in the newspapers, but I can publicly announce that in the last 2 years our Air Force and NASA has used Mauritius Air Base in the missile recovery program. All the intercontinental missiles from Cape Canaveral which approach the African coast approach Mauritius, by several hundred miles depending on the range. I have cleared that and they say it is public. It has never been printed, but we have been cooperating a great deal, and I can also say that John Glenn and Carpenter, when he flies, Thursday, will fly over Mauritius. We have four weather bureau stations there. We also have the base for the wonderful ship, the only ship that is out there to monitor the astronaut as he goes over the Indian Ocean. We have cooperated as an ally and as a friend, and we will continue to do that whether we get any sugar or not.

Today the airport on Mauritius is used by three international air lines: Air France (service between Paris and Mauritius via Nairobi and Madagascar); Quantas (service between Sydney and Johannesburg via Melbourne, Perth, Cocos Island, and Mauritius); and South African Airways, operating same route as Quantas.

American aircraft are currently using the landing field in their missile recovery operations nearby in the Indian Ocean. That is the longest oversea route in the world, and they have got to stop at Mauritius. I mean, that is the only way to get from Africa to Australia, to India, and Pakistan and those countries in which we are all interested.

Mauritius is an absolutely essential link on the air route between Australia and South Africa.

As from the calendar year 1962, after the Sugar Act goes into effect, Mauritius would be prepared to supply 165,000 short tons annually to the U.S. market, out of its current production.

This sugar could be made available at any time of the year and spread over any desired period as long as reasonable notice of requirement was given. Sugar can be loaded and landed at U.S. ports in approximately the same time, after notice, as sugar ordered from Australia, or possibly the Philippines. Having been one of the large sugar suppliers for Canada for many years, Mauritius has had great experience in exporting sugar to North America. The sugar can be supplied in bulk or bag, and that is very interesting because of small refiners on the east coast of cane sugar or on the west coast. We can go either way because we are halfway around the world. Some of them cannot handle bulk sugar so we can supply it any way they want it.

No country in the world has a stronger or even an equal claim to an increased outlet for its sugar, (1) being dependent on sugar alone; (2) facing a most difficult population problem; and (3) having demonstrated its ability to produce more sugar on a competitive basis.

Mauritius is now the ninth I should say largest world exporter of sugar, and, if the United States has to go outside the Western Hemisphere for its supplies—and you have gone—it should obtain some of its supplies from a country occupying such an important position in the sugar export world.

Mauritius has imported goods, especially leaf tobacco, from the United States for more than a century without ever exporting anything to the United States in return, other than that little tea that we sent last year; the United States should now avail itself of the opportunity of reciprocating—if only to preserve its export trade with Mauritius, and possibly to increase it.

Mauritius occupies a strategical position in the Indian Ocean from a communications point of view; it is a vital link on the air route from South Africa to Australia; the grant of a share of the U.S. sugar market would be one way of preserving a friendly outpost at very little cost.

The United States has pledged itself to helping underdeveloped countries; Mauritius is not only a deserving case; it is a typical instance of a country where a timely gesture could be an effective answer to Eastern powers which are now trying to invade the field of political influence in Mauritius. The attainment of independence by Mauritius may not be very far away and it might then become an easy prey to international communism unless it receives adequate help from the West.

Mauritius is a single seller and can supply sugar virtually all the year round in a normal year, which makes for ease of purchase and flow of supplies.

Now I will ask that exhibit A be copied into the record also.
(Exhibit A referred to is as follows:)

EXHIBIT A

In 1958 and 1959 Mauritius imported from the United States of America the following articles: Bright belt tobacco leaf (one-tenth of entire imports from the United States, the total value of which would buy about 20,000 tons of sugar annually), agricultural tractors, oil lubricants, cereals, cereal flour, candies and confectionery, food preparations, cigarettes, seeds for planting, bulbs and plants, canned fish, preserved fruit, fruit juices, vegetables and soups in cans, lubricating oils, lubricating greases, chemicals of all types, paint and lacquers, mastics, vitamins, antibiotics, pharmaceutical products, vegetable oils, dentifrices, soap, wax and polish, sporting goods, ammunition, fuses and primers, weed killers, disinfectants, glue, casein, gelatin, machine leather belts, rubber tires and tubes, goods of soft and hard rubber, manufactured wood products, paper bags, cardboard boxes, paper and paper board, books, writing paper and envelopes, cotton fabrics, synthetic fabrics and spun glass, lace fabrics, ribbons, embroidery, nylon fishing lines, carpets and rugs of wool, manufactures of asbestos, pipes and rods, glass articles, revolvers, firearms, wire cable, handtools for agriculture, cutlery, manufactured iron and steel, diesel engines, engine parts, tractor parts, plows, overhead irrigation systems, agricultural machinery for preparing the soil, harvesting machinery, agricultural machinery parts, agricultural tractors, accounting and bookkeeping machines, pumps for liquids, road construction machinery, printing machinery, sewing machines, air conditioners and refrigeration equipment, ball bearings, electrical machinery, generators and transformers, electric batteries, bulbs and flashlights, radio and radar apparatus, electronic apparatus, portable electric appliances, electric tools, locomotive parts, passenger cars, car bodies, car parts, aircraft parts, lighting fixtures, metal furniture, handbags, wallets, and purses, hose and stockings, outerwear and clothes, handkerchiefs, film, projectors, cameras, surgical and medical instruments, scientific instruments, phonograph records, decorative objects, electric refrigerators, plastic articles, brooms and brushes, playing cards, toys and games, fountain pens, office supplies, and lighters.

Mr. GARDNER. Congressman Short, I did not read this because I expected that you would ask me a question you had asked before, on footnote 2 of page 5. I had to do really quite a bit of digging to get it, so I would like to have the privilege of your asking me to read at the bottom of page 5, the footnote No. 2.

Mr. SHORT. Mr. Chairman, I observe there first of all, that it seems like a very high proportion of the total area on the island is devoted to the production of sugar and I was pleased to see that there seems to be a large degree of small individual ownership of the land where sugar is produced.

Mr. GARDNER. We have 85,000 people working directly with their hands in the production of sugar. Now, these 23 mills are all locally owned, the stock in the corporations. There were 300 mills 50 years ago, and what happened, they have become uneconomical. We could not keep up with the rest of the world so these families that have inherited these lands that were originally given to their forefathers—under the Napoleonic civil law, the land did not go to the oldest son but is distributed to all the children equally, so a lot of children own 125 acres and grandchildren and so forth, so they got together and abolished all these old mills and formed a corporation and took stock, so the original settlers own the old mills and own the stock in proportion to the size or amount of land that they had.

Mr. SHORT. Do you refine any sugar?

Mr. GARDNER. No, sir.

Mr. SHORT. It is all exported as raw sugar?

Mr. GARDNER. Yes, sir; no refining.

The CHAIRMAN. Any questions?

(No response.)

The CHAIRMAN. Mr. Gardner, thank you very much for the splendid statement you have presented.

Mr. GARDNER. Thank you. I appreciate it.

The CHAIRMAN. The next speaker is Sheldon Z. Kaplan, representing the Guatemala Sugar Producers Association.

STATEMENT OF SHELDON Z. KAPLAN, COUNSEL TO GUATEMALA SUGAR PRODUCERS ASSOCIATION

Mr. KAPLAN. Mr. Chairman and members of the committee, my name is Sheldon Z. Kaplan. I am a practicing attorney here in Washington. I appear as counsel to the Guatemala Sugar Producers Association.

I had the privilege of submitting a statement to this committee during its consideration of the Sugar Act extension in August 1960, requesting a quota for Guatemala. I am grateful to you, Mr. Chairman, and members of the committee, for again affording me an opportunity to present the views of the Guatemala Sugar Producers Association.

Let me say right from the outset, that Guatemala has requested from the executive branch, a request which is renewed here, that it be included in the forthcoming sugar legislation for a quota of 20,000 tons. Guatemala urges that the present quota premium system, or the subsidy, be retained in the U.S. sugar program.

Mr. Chairman and members of the committee, I would like to read and to have included as part of my remarks a cable which I received yesterday from the President of Guatemala. It reads as follows:

> Please convey through your good offices to the House Agriculture Committee and Chairman Cooley Guatemala's urgent request to be included in the new sugar program for a quota of 20,000 tons. Unemployment breeds discontent. Requested quota will be an important factor in revitalizing economy of Guatemala and in giving gainful employment to thousands of Guatemalan workers. Please also convey the gratitude of Guatemala for nonquota allocations granted Guatemala through June this year. Guatemala stands firmly by the side of the United States in freeing hemisphere of Communist penetration and subversion and in helping to build free and democratic institutions throughout Latin America. I consider the present sugar law with the inclusion of Guatemala and other friendly Latin American countries for specific quotas as a major policy in achieving these two objectives.

It is signed "Miguel Ydigoras Fuentes, President, Republic of Guatemala."

Why should the present quota premium system be retained? The answer is essentially a simple one; it has worked well. The existing sugar legislation stands as a tremendous tribute to the House Committee on Agriculture and to you, Chairman Cooley, participating as you have in sugar legislation ever since the inception of the quota system in 1934. No group, inside or outside the Government, is more familiar with the Sugar Act and its ramifications than its architects, this committee. Insofar as foreign producers are concerned, they regard this program as an effective program in the mutual interests of their respective countries and the United States. Indeed, it is sound international trade and sound foreign policy.

Let's make no mistake about it. Latin America is in turmoil, coffee prices have sagged, the Alliance for Progress is lagging behind, and the destructive and subversive forces of communism grow stronger in that area. To drastically revise the U.S. sugar program and eliminate the quota premium system at this crucial juncture in inter-American relations does not make sense. I don't believe this committee, which has always been so alert to the importance of improving U.S. relations with Latin America, will make a revision in the law which can only bring about a deterioration of those relations.

I am aware of the allegations emanating from some sources on the other side of the Capitol, that the sugar legislation has only made the rich richer and the poor poorer in Latin America. It may or may not make the rich richer, but certainly it has brought about employment for the workers, food and shelter for their families, and given them some sort of faith in a tomorrow. Further, it enables the smaller producers to participate more effectively in an important segment of their nation's economy. As far as Guatemala is concerned, every 2 tons of sugar will guarantee work for one worker and his family.

Putting it another way, a quota of 20,000 tons for Guatemala will guarantee work for 10,000 workers and their families. On the basis of an average family of 5, this would mean a total of 50,000 people directly affected by the U.S. sugar program.

Guatemala has 10 sugar mills which are supplied by 219 cane sugar growers, owners of the producing sugarcane plantations, and by 5 cooperatives which are the result of the agrarian reform promoted by the United States. Directly dependent on the sugar industry are 1,433 families (mills and plantations), and 22,000 families of workers in the industry.

Mr. Chairman and members of the committee, there seems to be some tendency in U.S. relations with other countries to take friends for granted and to be sympathetic to those on the fence, and at times to those even hostile to us. We have paid lipservice in eloquent words to the need for strengthening inter-American bonds of friendship, but words, unfortunately, are not enough.

Now, I am not one of those who believes that friendship is friendship only so long as the poorer friend receives help from the richer friend. I am confident that Guatemala will remain pro-United States, sugar quota or no sugar quota, so long as no leftist regime takes power. But the general demoralization and the adverse economic impact which would take place in Guatemala unless she is granted the quota requested would not be in the best interests of the United States as I conceive those interests.

Guatemala is pro-United States, not for any economic benefit it can derive from that friendship. It is so because Guatemala stands for the same things we stand for—liberty, dignity, opportunity, courage, and adherence to principle.

It is sometimes difficult, unless one observes it firsthand, to realize fully the impact which a program such as the U.S. Sugar Act can have on a small country. This impact is not only economic but is also psychological. Both are important. The case of Guatemala in this respect is unique.

Guatemala, a small country of 4 million people, has stood by the United States ever since the overthrow in 1954 of the notoriously communistic regime of Jacob Arbenz, now consorting with the Communists in Cuba. Guatemala was one one of the first to condemn the Castro regime as a Communist-dominated government. It is the first country to break off diplomatic relations with Cuba for that reason.

At the recent Conference of Foreign Ministers at Punta del Este, Uruguay, in January of this year, Guatemala took the lead in urging that the United States take a strong stand against communism and Castro and in condemnation of both.

In addition to the obvious economic factor, there is involved the psychological factor of the inclusion of Guatemala within the program for a specific quota. I have already referred to the economic factor earlier in my statement. Such inclusion would demonstrate that the United States is concerned about Guatemala and its well-being, and I think it is very important to emphasize the word "concern" because it is one of the key motivations essential to a positive and effective U.S. policy toward Latin America. The knowledge that there is such a concern gives a government and people of a friendly country renewed strength, energy and determination at a time when these qaulities are essential to the preservation of its freedom and independence, and at a time when communism has established a beachhead in the Western Hemisphere from which it is spearheading its attack against such freedom and independence.

This is particularly so with respect to Guatemala, a country which knows from bitter past experience what it means to live under a Communist regime.

I was present during the testimony before this committee of the Honorable G. Griffith Johnson, Assistant Secretary of State for Economic Affairs, on May 16 on section 10 of H.R. 11730. I must say here and now, that I am shocked that the Department of State recommends scrapping the quota premium system for friendly foreign countries and urges in substitution the institution of import fees to be covered into the Treasury to be used for the purposes of the Alliance for Progress.

While I do not know of any responsible Latin American official who does not believe in the objectives of the Alliance for Progress, as do I, at the same time we must recognize that the Alliance for Progress, eloquent as its words and promises may be, is as yet untested. The people in Washington primarily charged with the responsibility for implementing the Alliance are as yet untested. Why, then, should the one outstanding and tested program that has succeeded in Latin America—namely, the existing Sugar Act—be gutted and placed, in a sense, within the confines of a program that is admittedly years away from success?

In examining section 10 of H.R. 11730, it will be noted that the language reads, in part, beginning on page 16, line 23 of the bill:

* * * the funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury and such funds are hereby authorized to be appropriated from time to time to the President for use in furnishing assistance to such countries and areas in accordance with the provisions of the Foreign Assistance Act of 1961, as amended, which pertain to furnishing assistance under the provisions of title 6 of chapter 2 of part I of that Act.

Title 6 referred to is not in existing foreign aid law. It is a proposed new title to the pending foreign aid bill now being considered by the House Foreign Affairs Committee and the Senate Foreign Relations Committee. This proposed new title 6 will deal with the Alliance for Progress. Here is the language, in part, which the executive branch proposes in this new title, and I am now referring to the pending foreign aid bill:

> It is the sense of the Congress that the historic, economic, political, and geographic relationships among the American peoples and Republics are unique and of special significance and that the alliance for progress offers great hope for the advancement of the welfare of the peoples of the Americas and the strengthening of the relationships among them. Accordingly, the President is authorized to furnish assistance on such terms and conditions as he may determine in order to promote the economic development of countries and areas in Latin America.

Note, Mr. Chairman and members of the committee, the executive branch that wants to scrap a sugar program that has been going on between the United States and Latin America for all these many years, is the same executive branch which in the pending foreign aid bill refers to "historic, economic, political, and geographic relationships among the American peoples and Republics" as being "unique and of special significance."

Certainly, we must agree with those sentiments. The Sugar Act constitutes a realistic recognition, not in mere words but in real trade, that the United States does have historic, economic, political and geographic relationships with our sister Republics to the South and that these relationships are indeed unique and of special significance. Let us not destroy those relationships by following the State Department recommendations on sugar.

I am not impressed with the State Department argument that the Sugar Act—

> would provide Castro with a persuasive argument that the West has deserted the Cuban people and that their economic future lies with the Communist bloc.

I'm sure this view of the State Department will not be a persuasive argument with this committee. Specifically, the request of Guatemala for a 20,000-ton quota would be made, Cuba sugar or no Cuba sugar.

In the 1956 sugar hearings, Guatemala indicated that she wasn't at that time requesting a quota but would in 1960. Certainly, this small quota and other similar quotas for relatively small producers could have little impact on Cuban sugar.

Generally, insofar as the larger producing countries are concerned, it can be assumed that they understand the impact which Cuba's eventual return to the U.S. sugar market would have on them. Legislatively, it is easy to handle this caveat by inserting a sense provision in the new sugar legislation expressing the sense of the Congress that in the event that Cuba is liberated from Communist domination, is restored to the rank of a country friendly to the United States with which diplomatic relations have been reestablished and all sanctions removed, that the United States should look with favor on a renewal of Cuba's participation in this program, and that all countries participating herein shall be informed of this provision by the Secretary of State.

Back in June 1960 at the very time the Congress was considering extension of the Sugar Act, Ernesto Che Guevara, Castro's Communist economic adviser, in a television address at Havana stated that the Cubans were being enslaved by the 3 million tons of sugar the United States was buying annually from the island. These purchases, he said, had made Cuba dependent on sugar and kept the country in a semicolonial state until Castro's revolution. Surely, Communist Cuba cannot complain, now that this so-called semicolonial status has been altered.

No, Mr. Chairman and members of the committee, the record is clear and documented by the State Department itself in its White Paper that Castro has deserted the Cuban people.

As expressed so vigorously by this committee during its questioning of Mr. Johnson, Assistant Secretary of State for Economic Affairs, on May 16, 1962, there is no reason why the United States should not expect foreign sugar suppliers to purchase agricultural products from the United States. Guatemala favors the existing provisions of law requiring that special consideration be given to countries of the Western Hemisphere and countries purchasing agricultural commodities from the United States. Trade is a two-way street. This is only right and proper.

Guatemala has purchased agricultural products from the United States under the sugar program. Guatemala continues to be ready and willing to cooperate with the United States in this respect.

Mr. Chairman and members of the committee, the sugar legislation is good legislation. It has withstood the ravages of time and crises. Let us not abandon it. Let us not abandon our friends. Because inter-American relationships are unique and are of special significance, let us not abandon the unique and specially significant existing sugar program of the United States.

Thank you for the privilege of appearing before you and presenting these views.

The CHAIRMAN. Thank you very much, Mr. Kaplan.

Are there any questions?

Mr. HAGEN. Mr. Kaplan, very obviously, if you can produce and sell more, there are more jobs; but this 20,000 tons would only be a small part of the production and export, isn't that it?

Mr. KAPLAN. I do not think that it can be said that any part is a small part when you are dealing with a small country.

Mr. HAGEN. What is the total production?

Mr. KAPLAN. The total capacity? You are referring to sugar?

Mr. HAGEN. Yes.

Mr. KAPLAN. The total productive capacity at present—and I might say this could be increased very easily—the present 1962 capacity is about 110,000 tons, with local consumption estimated at 85,000 tons.

Mr. HAGEN of California. Well, the question I was leading up to is, how would a higher U.S. price—I didn't realize that 20,000 tons was so important to Guatemala in relation to its total production—how would that be reflected in higher prices to cane growers? I mean, it would be a profit, certainly, to someone in Guatemala, but how about the farmers?

Mr. KAPLAN. I think obviously the better price you get for your product, the more things you can do with the receipts.

Mr. HAGEN. I know. But initially, this is paid to the processor, not to the grower. What I was asking you is, How does this trickle down, we would say, to the canegrower?

Mr. KAPLAN. It reflects all down the line. It is like tossing a pebble in a pool. Every segment of the sugar industry involved can only benefit, not only the processor segment, but every other segment of the sugar industry and, indeed, the whole economy. It is not just the sugar workers, although they are the group most vitally affected. As the sugar workers are more gainfully employed, there are more things that they can buy, particularly products from the United States that they need such as radios, drugs, food products, and all kinds of electrical equipment, to cite a few examples.

Mr. HAGEN. I realize that.

Mr. KAPLAN. This is, I know——

Mr. HAGEN. I know that, but I assume the position of the State Department is that if there is a higher price to be paid, it should be effectively put back into these countries for more people in terms of part of the Alliance for Progress or some other similar program rather than the mere increase in the price of raw sugar which may stop with the sugar processors.

Mr. KAPLAN. I think, in essence, the State Department is primarily interested in government-to-government programs. This is their expertise. This is what they know best. And the new AID Agency, which administers the Alliance for Progress, is also that type of agency. It prefers to deal in government-to-government terms. They would like to make of this Alliance for Progress an all-embracing program.

I, for one, would like to see some of the activities of the Export-Import Bank come within the confines, certainly of the objectives and purposes of the Alliance for Progress, but not the sugar program which is so much of a people-to-people program, and which is really unique and has special significance—I am now using State Department language—"unique and specially significant." The existing sugar program is an example of this unique and specially significant relationship. It has worked well. I have heard no complaints about this program from any Latin Americans. The only complaint I have heard is, "Well, we should get more," and that is a very natural and human complaint; but I have never heard anyone complain otherwise about this program. Why, then, should the State Department come in now at this very tense and emergency situation in Latin America, because I think it is an emergency situation, and "upset the applecart"? I think it is very unwise. If we want to drastically alter this program, we should take our time and do it very, very slowly and be very circumspect about it. But I do not think at this time, when we have launched an Alliance for Progress that has not produced very much as yet, we should scrap this sugar program. I think that would be far too drastic.

Mr. HAGEN. Let me ask you this: If we are going to get into considerations of policy, say, foreign policy, shouldn't we consider in allocating these quotas what wage policies are in these various countries, et cetera?

Mr. KAPLAN. Absolutely. I think that the United States should do this. We have tremendous power within our hands in the sugar program and I think we should use it wisely and for the best interests of our foreign policy.

Mr. HAGEN. Of course, this committee has nothing before it in the way of comparisons, wages, return to canegrowers, et cetera. I do not know how we could ever come to a realistic judgment on this.

Mr. KAPLAN. I see no reason why the State Department and the Agriculture Department working together should not get up for this committee all of these statistics and figures. This is their job. They ought to do it. This committee certainly should be furnished with all that basic fundamental information, and I think that the committee, in exercising its judgment, ought to take that factor you mentioned into consideration along with other important considerations.

Mr. HAGEN. Thank you very much.

The CHAIRMAN. Thank you very much, sir.

(Mr. Kaplan also submitted the following supplementary information:)

1. Social and economic reform in Guatemala

(*a*) Hon. Teodoro Moscoso, Administrator of the Alliance for Progress program in the Agency for International Development, in his testimony before the House Foreign Affairs Committee in March 1962 on the pending Foreign Assistance Act of 1962 stated:

"Guatemala has been one of the leaders among the Central American States in social and economic reform."

Mr. Moscoso further acknowledged that Guatemala "is a leading proponent of Central American economic integration."

(*b*) Progress under President Ydigoras: Guatemala, under the leadership of President Miguel Ydigoras Fuentes, is dramatically demonstrating to the rest of Latin America what can be accomplished in the field of social and economic reform under a democratic form of government and a free society. For example:

School construction: 307 schools, with a total of 1,450 classrooms, have been built in this administration, which is more than the classrooms built during the past 50 years and the cost per classroom is less than one-third of the cost of the previous ones built.

Housing construction: 3,210 houses have been built and distributed among low-income families at a per-unit cost of $2,738, including land, urbanization, and overhead administrative costs. The living area is of 600 square feet and consists of three bedrooms, living-dining room, kitchen, and bathroom.

Land settlement: 26,000 parcels of land have been distributed. This plan of land resettlement is rapidly swelling the ranks of independent small farmers throughout the country. In addition to the property, the landowners are entitled to receive supervised credit with which to work their farms.

New laws in effect: (*a*) Rent law, which protects the low-income people from paying excessive rent, fixed at no more than 6 percent of the value of the property per month; (*b*) labor law: This law protects the workers in their respective jobs and from being fired without proven justification and which also entitles the worker to claim 1 months of salary per each year worked in the same firm. The representatives of the syndicates cannot be fired; (*c*) FHA law is in operation since the beginning of 1953.

Legislation submitted for approval to the National Congress of Guatemala:

1. New agrarian reform law.
2. Penal code project.
3. Guarantee investment.
4. Law creating the free port of Matias de Galvez.
5. Civil service law.
6. Labor benefits bank.
7. Project of law concerning unproductive lands.
8. Project of law on family patrimonies and parceling of land.
9. Project of law creating the National Institute of Agrarian Transformation.
10. Project of law concerning agrarian development zones.
11. Income tax law (approved by the congress in its third reading).
12. Project of law on territorial tax.
13. Project of law creating the Housing Institute.

Potable water program: 110,000 persons have benefited with the introduction of potable water to small villages (this does not cover the capitals of the departments (states).

Malaria eradication program: Great advances have been made in this respect. In 1958 Guatemala had 37 percent of positive cases while in 1962 Guatemala only has less than 1 percent of positive cases.

2. Guatemala's trade with the United States

Guatemala is the best customer the United States has in Central America (Guatemala, Nicaragua, El Salvador, Costa Rica, and Honduras). To illustrate, for the 9-month period January–September 1961, U.S. exports to Guatemala amounted to $45.1 million, including textile fibers and fabrics, lumber and paper, machinery and vehicles, chemical products, etc. For the same period, Guatemala's exports to the United States amounted to $43 million, leaving an unfavorable trade balance for Guatemala in the amount of $2.1 million.

For 1961, of the five Central American countries, Guatemala was the largest importer of U.S. agricultural commodities—$9.5 million worth, an amount twice as much as any other Central American country.

Guatemala has just recently signed an agreement with the United States to purchase 12,500 tons of corn under the sugar program.

Bilateral balance of payments with the United States, 1960

[In thousands of dollars]

	Debit	Credit	Balance
Current operations:			
(*a*) Merchandise:			
Free on board imports adjutes	61,683.4		−61,683.4
Free on board exports adjutes		66,253.3	+66,253.3
Subtotal	61,683.4	66,253.3	+4,569.9
(*b*) Transportation, tourism, insurance, investment revenue, Government services, and miscellaneous	23,315.9	10,109.2	−13,206.7
Total	84,999.3	76,362.5	−8,636.8

The chart shows a negative balance for Guatemala amounting to $8,636,800.

3. International monetary reserves of Guatemala

[In thousands of dollars]

1950	39,399	1956	68,384
1951	41,923	1957	72,159
1952	44,042	1958	47,736
1953	42,383	1959	41,902
1954	39,718	1960	44,671
1955	54,732	1961	38,830

The chart shows the difficult situation which the country is going through in view of the fact that the reserves corresponding to the end of 1961 are lower than what Guatemala had 11 years before (1950). It also shows a decrease of $33,329,000 in a period of 5 years inasmuch as in 1957 the reserves were $72,159,000 and in 1961 only $38,830,000. The decrease was brought about principally by the downward trend of prices for exportable items and the upward trend of prices for products imported by Guatemala.

4. Sugar production

Production for 1962 has been limited to 110,000 tons, with local consumption estimated at 85,000 tons, leaving 25,000 tons for export.

For the 1963 crop, the productive capacity is estimated at 130,000 tons, while domestic consumption is expected to be about 87,000 tons, leaving 43,000 tons which could be shipped to the United States.

The CHAIRMAN. The committee stands adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12 o'clock noon, the committee recessed to reconvene at 10 a.m., on Wednesday, May 23, 1962.)

SUGAR

WEDNESDAY, MAY 23, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 10:10 a.m., pursuant to recess, in room 1310, New House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abbitt, Jones of Missouri, Jennings, Matthews, Breeding, Harding, Purcell, Hoeven, Dague, Belcher, McIntire, Teague of California, Short, Mrs. May, Latta, Harvey, Findley, Beermann, and Fernós-Isern.

Also present: Christine S. Gallagher, clerk; Hyde Murray, assistant clerk; John J. Heimburger, counsel, and Francis LeMay, consultant.

The CHAIRMAN. The committee will please be in order.

The first witness this morning is Mr. Paul L. Badger, representing the Government of British Honduras, who is accompanied by Dr. Glenn E. Taylor. We will be glad to hear you now, Mr. Badger.

STATEMENT OF PAUL L. BADGER, REPRESENTING THE GOVERNMENT OF BRITISH HONDURAS, ACCOMPANIED BY DR. GLENN E. TAYLOR

Mr. BADGER. Chairman Cooley and members of the committee, my name is Paul L. Badger. I am an attorney in private practice in the District of Columbia. I am appearing before you today in behalf of the Government of British Honduras, which is seeking the allocation of a modest sugar quota under the provisions of the pending sugar legislation. I am accompanied by Dr. Glenn E. Taylor, a research scientist of Modesto, Calif. Dr. Taylor has had extensive experience in Central America. He is thoroughly familiar with the area of our interest. He will briefly supplement my statement, and will try to answer any questions asked by the members of the committee.

British Honduras is on the east coast of Central America facing the Caribbean Sea and is bounded on the north and west by Mexico, and on the west and south by Guatemala. The total land area of British Honduras is 8,866 square miles, which includes a number of islets lying off the coast. The coastline, fringed by a barrier reef, is flat and swampy, but the country rises gradually toward the interior. The climate is subtropical and is on the whole agreeable to nontropical peoples. In the capital, Belize, the annual temperature

range is 50° to 96° with an annual average mean of approximately 78°. Along the coast heat and humidity are tempered by sea breezes during most of the year.

The estimated population of British Honduras as of now is 93,000, with a density of 10 persons per square mile. Of this total, about 40 percent are of Latin American descent, 40 percent of African descent, 15 percent other, 3.4 percent European, and 1.6 percent of East Indian descent. English is the official language.

British Honduras has recently been given certain constitutional advances by the United Kingdom Government. This includes a full ministerial system and an enlarged legislative assembly having twice as many elected members as formerly. British Honduras can, therefore, be classified as a crown colony emerging toward independence within the Commonwealth.

Until recent years the economy of British Honduras was principally based upon lumbering and chicle. Mahogany, secondary hardwoods, and pine still account for a large proportion of the national income, but they are diminishing in importance. Large-scale production of cacao is just beginning. Citrus and sugar exports are of increasing importance. In 1961, sugar production totaled 27,500 tons. Industry is minimal, however, and the economy generally is very weak, the United Kingdom contributing substantially with grant for both current and capital expenditures.

The Government of British Honduras has as its main economic concern the attraction of private investment capital, as well as the obtaining of loans and technical aid in order to broaden its shrinking economic base. The stated objectives of the United States are (1) to maintain the cordial relations with British Honduras which have existed in the past, and (2) to encourage the economic development of British Honduras. The Government of the United States could not hope to find a more timely and effective means of accomplishing these objectives than by allowing this good neighbor to participate in supplying our sugar market.

It is respectfully suggested, therefore, that beginning in 1964 British Honduras be granted the right to supply a total of 5,000 short tons of sugar to the United States. It is also proposed that this quota be increased thereafter in three successive annual increments, as shown in the following schedule, until it reaches a total of 30,000 tons in 1967, and that it be continued thereafter at that level.

In 1964 the quota we are requesting would be 5,000 tons; in 1965 it would be 10,000 tons; in 1966 there would be an increase to 20,000 tons; and, finally, in 1967 we are requesting an allocation of 30,000 tons.

The projected quota for British Honduras in 1967 would equal approximately three-tenths of 1 percent of 9,700,000 tons, the total consumption estimate for the United States. If the provisions of the pending legislation are followed, foreign nations would be assured of the right to supply slightly more than 40 percent of the entire U.S. sugar requirement or, approximately, 3,880,000 tons of sugar. The projected quota for British Honduras in 1967 would equal approximately eight-tenths of 1 percent of this figure. Estimates indicate that our population is increasing at a rate requiring at least 150,000 additional tons of sugar each year. Under the proposed bill foreign countries will have the right to share in 37 percent of this growth and

expansion requirement, or approximately, 55,000 tons per year. The projected quota for British Honduras in 1967 would equal less than 50 percent of the growth increment required for 1 year.

We sincerely believe that the extension of the suggested sugar quota to British Honduras is in keeping with our national interest and is fully supported by the following reasons:

(1) As a matter of national security, it would help us to develop and maintain an adequate source of supply for our sugar requirements within the continental limits of the Western Hemisphere. In this connection your attention is directed to the attached map. In the event of a national emergency, sugar from British Honduras could be transported safely and cheaply by a short boat haul to New Orleans, or under more extreme circumstances overland by truck transport through Mexico. This certainty of delivery could be of extreme importance to the United States in time of war.

(2) As a matter of equity, to permit this nearby friendly foreign country to participate equitably in supplying the U.S. sugar market. As the chairman of this committee has recently pointed out, this is one of the basic objectives of our sugar program, which has worked so well for many years. At the present time most of the Latin American countries adjacent to British Honduras are participating in our sugar program, either on a quota basis, including Mexico, Nicaragua, Peru, Panama, Costa Rica, Haiti, and the Dominican Republic, or under nonquota purchase allocations, including Guatemala, El Salvador, Ecuador, and Colombia. In fairness, there seems to be no good reason why we should deny British Honduras a similar opportunity.

(3) As a matter of foreign trade policy our government is stimulating and encouraging a program of expanded international trade. In 1961, British Honduras purchased more than $7 million worth of products from the United States (mostly agricultural products). In return, we purchased only slightly more than $1 million worth of products from this pro-American, English speaking country. By granting a sugar quota of the suggested dimension to British Honduras we could greatly stimulate her economy, create new markets for our products and increase our exports.

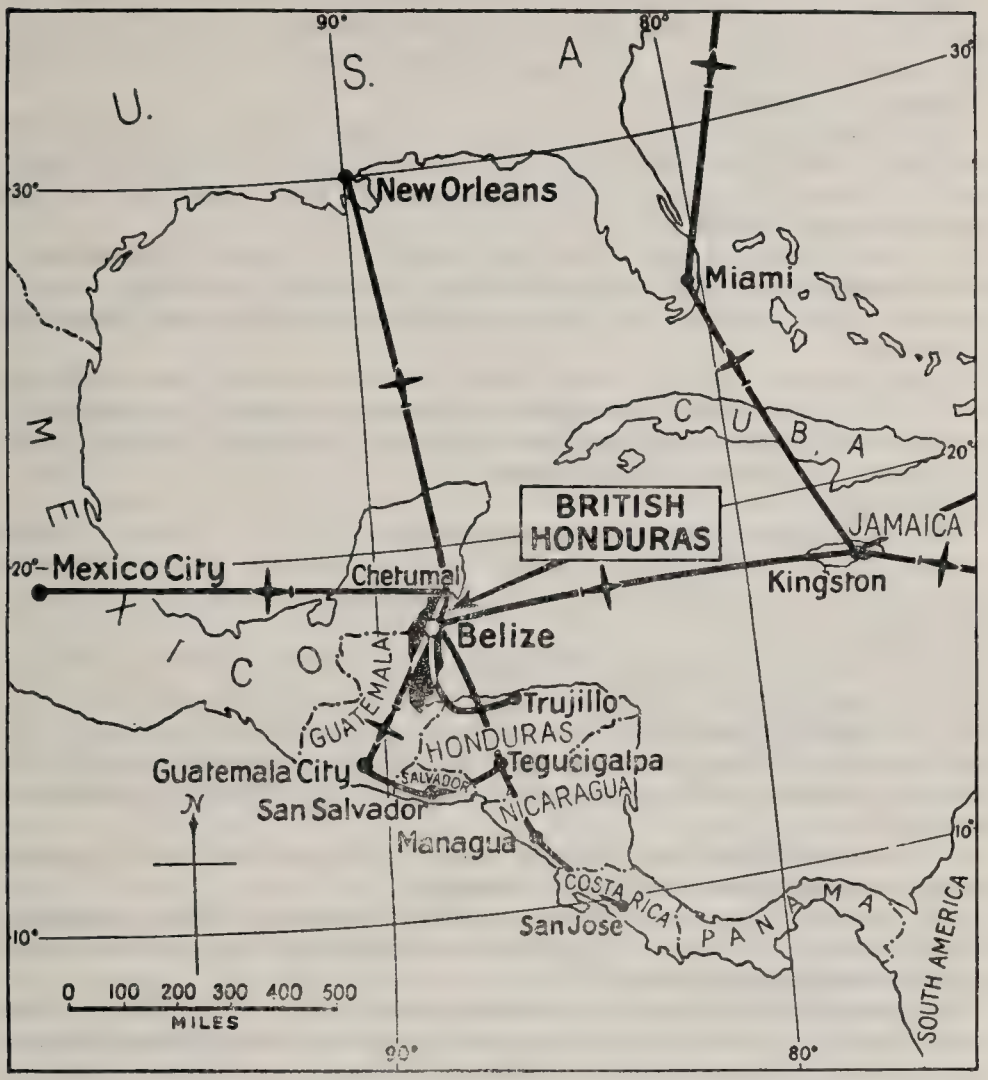
(4) As a means of encouraging the economic development of British Honduras, a sugar quota would help to meet a critical need at an opportune time. This country desperately needs economic assistance. In October 1961 "Hurricane Hattie" swept across British Honduras with all its fury, largely destroying the two principal cities, Belize, the capital, and Stann Creek Town, and severely damaging other parts of the country. The homes of more than 40 percent of the population were either destroyed or badly damaged, with the loss of nearly 300 lives. Two of the principal income producing industries, timber an cacao, suffered great losses. I might interject that the destruction of this hurricane was so great that they have decided to move the capital of Belize inland. They are relocating the capital city of the country.

The citrus and sugarcane crops resisted the storm comparatively well and it has been determined that more reliance must be placed upon these and other agricultural crops in future planning. A recent British Honduras economic mission to this country, seeking economic assistance for rehabilitation and reconstruction was unsuccessful, not because its needs were not real, but because no ready means could be found for securing the assistance required.

(5) As a means of supporting the objectives of the Alliance for Progress, a sugar quota for British Honduras constitutes an important instrument of our foreign policy in Latin America. Unfortunately, as a dependency of the United Kingdom, British Honduras is not a member of the Alianza para el Progreso. For this reason she is not eligible for the various aid programs sponsored by the Alianza. Nevertheless, the legal and moral framework in which we must work is amply clear. The United States is committed to giving maximum support to those countries which inaugurate necessary social reforms and make energetic self-help efforts. A sugar quota would help British Honduras to help herself. If such a quota is approved sufficient foreign capital investment is assured for the construction and operation of a modern sugar mill. This in turn will mean the allocation of sugarcane production quotas to at least 300 additional local farmers. In so doing we can assist the people of British Honduras to meet the principal objectives of the Alianza para el Progreso, as laid down in the Charter of Punta del Este, namely: First, to increase per capita income; second, to achieve a more equitable distribution of national income; and third, to diversify their national economy. In so doing we can plan our part in helping to keep alive, with our resources, with our political and moral backing, the principles of freedom and democracy which are so important to the future of Latin America.

We earnestly hope and trust that this committee and the Congress will act favorably upon this request to allow British Honduras to participate on an equitable quota basis in our sugar market. Thank you.

(The map referred to follows:)



The CHAIRMAN. We thank you, Mr. Badger, for your statement. Do you desire to add anything to this statement, Dr. Taylor?

Dr. TAYLOR. With your indulgence, I would like to just bring out two or three points, and to enlarge on them a little bit, which Mr. Badger has already mentioned.

We believe that British Honduras meets all of the criteria that have been mentioned throughout the hearings—it is nearby, they are friendly, and they are, certainly, of low income, that is, the people of British Honduras. This English speaking people needs drastically a market for their raw materials, if their self-government is to be healthy and self-sustaining and unencumbered by the various isms.

Today, as was just mentioned a minute ago, they have quite a trade deficit with the United States, somewhere in the region of $6 million between the United States and British Honduras. A tremendous percentage of this deficit is surpluses or near surpluses of United States, such as rice, wheat, corn, animal feedstuffs, fats and oils.

As Chairman Cooley said, one of the reasons for this type of legislation we are discussing here today is to allow nearby friendly foreign countries to participate equitably in the double purpose of expanding international trade and assuring the United States of a stable and adequate supply of sugar.

Mr. Chairmen, we have a third purpose here, that is, a humanitarian purpose, I believe, to help this little country recover from Hurricane Hattie where 300 people were killed and virtually one-half of the population left homeless.

I can ask this question: Where can you, in the Western Hemisphere, use the sugar quota of the size we have mentioned here today to do as much good for the U.S. relationship in particular and humanity in general?

These moneys that are to be paid for the sugar in turn, will be paid to the farmers and the workers to build new houses, to give them light in their houses, food on their table, and yet return to the United States an increased amount of sugar.

Thank you.

The CHAIRMAN. Are there any questions?

Mr. SHORT. Mr. Badger, as to the ownership of the land in British Honduras, do these farmers you have referred to individually own their farms?

Mr. BADGER. Yes, they do. We might add that most of these farmers have small farms. They average 20, 25 acres in extent. Some of them are smaller than this, but they are all individually owned. In other words, I believe it is true that British Honduras has never had the land reform problem that many of its South American neighbors have had.

Mr. SHORT. What are the agricultural crops that these farmers produce on their land in addition to sugar?

Mr. BADGER. They have been producing bananas. They produce citrus fruits, and cacao. Sugarcane is one of the crops which is of ever increasing importance.

Their experience under the recent hurricane was interesting to the extent that it showed that citrus and sugarcane were the two crops that were hurricane resistant. The cane was bent flat for about a week, I understand, but after that it came back.

Some of the older citrus orchards and groves were destroyed, but the new trees, particularly, weathered the storm very well.

Mr. SHORT. How much of a livestock economy do they have?

Mr. BADGER. I could not say offhand, but it is of increasing importance in recent years. I know of one operation where they have about 1,700 head of livestock. They are carrying on experiments in breeding to produce a strain that is ideal for the subtropical climate. I am sure that in the years to come that livestock is going to become one of the most important industries of this country.

Mr. SHORT. What agricultural products does British Honduras import from the United States?

Mr. BADGER. I think Dr. Taylor is familiar with this and will answer the question.

Dr. TAYLOR. Very definitely, one of the main things that we are interested in, in British Honduras, of course, some of your grains because we are anticipating an increase in the livestock population.

We would not call it a large livestock country. At the present time there are about 28,000 head total of cattle, but there are hogs in addition, but it is hard to survey the number of those, because all of the small farmers have a few head of hogs.

The idea is that we are going to attempt to bring in more grains for them to feed to their hogs.

Mr. SHORT. You are not able to produce feed grains, and that is one of the things that you would want to import?

Dr. TAYLOR. That would be one that we would import.

Mr. SHORT. What about wheat?

Dr. TAYLOR. As mentioned, a big percentage of our imports from the United States today is wheat.

Mr. SHORT. From the United States?

Dr. TAYLOR. Yes.

Mr. SHORT. Why do they not import it from Canada?

Dr. TAYLOR. They do import some from Canada. I think that transportation might have something to do with that.

Mr. SHORT. Is British Honduras like so many of the small countries around the world, one that aspires to independence from the British?

Dr. TAYLOR. I think that they have, probably, in my estimation, one of the most level-headed approaches to this particular goal I have ever heard put forth by any country, and I guess that you would call it a partial independence. They wish to take on their duties and to increase their own productivity. They wish to take over more and more of the housekeeping, if you will, assignments inside of the country. They do not believe that they are capable of standing away from their coalition with the United Kingdom. And I think they are right, to stay within the confines of that full protection in world affairs. However, they wish to raise their own productivity.

Mr. SHORT. I believe you mentioned, Mr. Badger, in your statement that the population is about 93,000?

Mr. BADGER. A little better than 90,000.

Mr. SHORT. That is rather small to become an independent nation, although we have some instances around the world where countries that have perhaps twice that population that are independent nations.

I just wonder how small sometimes a country should be, from a practical standpoint, to become an independent nation.

Dr. TAYLOR. There is no voice down there to become completely separated from the United Kingdom.

Mr. SHORT. Thank you very much.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. Do you think that it would help to maintain stability in British Honduras if we grant sugar quotas to countries which are controlled by governments which support the Communist line?

Dr. TAYLOR. Mr. Poage, there are, approximately, 2,500 farm families in the country at the present time. The present sugar production is by about 500 families that are actually producing the cane. I do not know just exactly the number that are working in the plants, and so forth, and those working for these cane farmers.

This new market that we are attempting to put forward to you today from British Honduras will allow a new mill to come in. It is estimated that, approximately, 300 farmers will participate in this venture. Again, I cannot quote the amount of or number of people

who are employed other than farmers, but there will be approximately 300 farm families.

So within the confines of this we have taken care of a goodly portion of the total farm families in the country.

Mr. POAGE. I had a conversation with a gentleman who is concerned with the countries bordering on the Caribbeans, and he was saying, and I thought very wisely, that if we reward British Guiana with a substantial sugar quota, it will be proof positive which will be used by the Communists all over that part of the world that all you need to do to get a reward from the United States is to set yourself up some Communist opposition and holler, then demand U.S. help and that Uncle Sam will pay the blackmail. I am not talking about your country. Do you think that the people of British Honduras understand that, or would it have any effect on them as to what we might do in British Guiana?

Mr. BADGER. I think that is a leading question.

Mr. POAGE. Of course, it is a leading question. You do not have to answer it unless you want to do so.

Mr. BADGER. We, certainly, do not believe that we should reward unfriendly governments and ignore our friends. I think if you will look at this map and notice the really strategic position that British Honduras occupies in Central America, and the importance of maintaining a real bastion of democracy in that area you will know of our interest in this. We think it is very important that we should reward our friends to the extent that we can in this regard. If we can keep a stable government, a democratic government in British Honduras, it is very important.

Mr. POAGE. Thank you.

The CHAIRMAN. Are there any other questions?

Mr. HARDING. I would like to ask you, Mr. Badger, as to the sale of the 27,500 tons as to where that has been going.

Mr. BADGER. I understand that about 25,000 tons, I believe, goes to the United Kingdom under the international quota agreement.

Mr. HARDING. And the other 7,000 tons?

Mr. BADGER. There are about 3,000 to 5,000 tons reserved for local use. I am not sure as to the small differential. Maybe Dr. Taylor can answer that. We can get that information.

Mr. HARDING. Did you get any windfall last year?

Mr. BADGER. Not at all.

I will get a breakdown, Mr. Harding, of where the entire allocation, the entire production goes.

(The information follows:)

NOTE ON SUGAR AGREEMENTS

INTERNATIONAL SUGAR AGREEMENT

The International Sugar Council holds a conference periodically to fix export quotas under the International Sugar Agreement. Last year the International Sugar Conference failed to agree on export quotas for 1962 and 1963, because of the Cuban situation. Temporary arrangements have therefore been made by the countries subscribing to this agreement for the issue of licenses for the import of sugar and these have been in operation since the beginning of the year.

The International Sugar Council which met in London in March of this year reviewed the statistical situation for 1962. Free market requirements of sugar are estimated at 11,815,000 metric tons and United States import requirements

are estimated at 4,015,000 tons. The maximum supply of sugar which could be offered on the market under optimum conditions for export was estimated at 17.4 million tons which indicates an excess supply over demand of the order of 1.5 million tons.

COMMONWEALTH SUGAR AGREEMENT

Under the International Sugar Agreement the Commonwealth Sugar Agreement covers a total of 2,375,000 tons of overall quotas of sugar going to the United Kingdom and Canadian markets. This overall quota is divided between the various Commonwealth countries who produce sugar in the following manner:

Commonwealth sugar quotas

Territory	Basic overall agreement quota	Basic negotiated price quota
Australia	600,000	300,000
British Honduras	25,000	18,000
East Africa	10,000	5,000
Fiji	170,000	120,000
Mauritius	470,000	335,000
South Africa	200,000	150,000
The West Indies and British Guiana	900,000	641,050
St. Vincent		
Total	2,375,000	1,569,050

British Honduras, with effect from January 1, 1960, has a basic overall agreement quota of 25,000 tons and a basic negotiated price quota of 18,000 tons. The price to be paid for 1962 negotiated price sugar will be £45.15s.3d per ton ($183.05 British Honduras currency). The negotiated price quotas for the year 1962 will be 4½ percent above basic quotas.

The Commonwealth Sugar Agreement runs to the end of 1969.

The CHAIRMAN. Do you have any surplus sugar on hand now?

Mr. BADGER. No.

The CHAIRMAN. Did you have any last year?

Dr. TAYLOR. No, sir, there was no surplus.

The CHAIRMAN. In other words, you want an allocation so that you can expand your production?

Dr. TAYLOR. Yes, sir. This, as I say, would be a new entity. It would be in a different location and with different farm families to participate. The area would be right in the heart of the area that we have in mind for the new plant and the cane operation where Hurricane Hattie hit the hardest.

The CHAIRMAN. Thank you very much, Mr. Badger and Dr. Taylor.

Mr. BADGER. Thank you.

(The following letter was also submitted to the committee:)

STUART, FLA., *May 8, 1962.*

Hon. P. G. ROGERS,
House Office Building, Washington, D.C.

DEAR REPRESENTATIVE ROGERS: From time to time I have contacted you about supporting the granting of a nominal sugar quota to the small Central American country of British Honduras. I understand that hearings on sugar quotas are to be held sometime next week.

The British Honduras Government is asking for only a 30,000-ton quota starting 2 years from now with 5,000 tons going up to 30,000 tons in a 4-year period. As you may know, British Honduras at the present time suffers a trade deficit and quick computations reveal that this 30,000-ton sugar quota alone would practically make up the entire deficit. It would create employment for many of the people who are now unemployed and would create crops for many of the small farmers, thus encouraging the capitalistic form of government. One of

the conditions that the British Honduras Government is specifying is that half of this quota must be supplied by small individual farmers.

In the event of war, sugar could be transported to the United States either by boat to New Orleans or overland by truck to the southwestern part of the United States. Other than Mexico, this is about the only country that can get sugar to the United States overland.

This sugar business will allow British Honduras to purchase surplus grains and other commodities from the United States. The cattle industry in British Honduras is also on the increase and certain interests have already been exploring the possibility of surplus grains from the United States for use in feed mills, etc.

At the present time, the people (the natives) are very friendly toward the United States. It was interesting to note that they followed the presidential election very closely. I happened to be in British Honduras at that time—having voted in absentia prior to election date. By this gesture of the sugar quotas, we will enhance in the eyes of British Honduras the stature of the United States.

There are many reasons why this sugar quota would be desirable. To provide additional work and balance their trade deficit, certainly is one of the most important features of creating a bulwark against Communist invasion.

Also, the country has recently weathered a very devastating hurricane and nothing could aid them in coming out of it as would crops which they could grow on their land.

We, of course, know that you are supporting a sugar quota for our own State of Florida. This is certainly necessary and very important to our own economy. However, we urge you to support a nominal quota of 30,000 tons for the country of British Honduras. This alone can make the difference between failure or success of this small country.

Sincerely yours,

C. B. Arbogast.
C. B. Arbogast, Jr.

The Chairman. We will next hear from Mr. G. Douglass Debevoise, president of the South Puerto Rico Sugar Co. We shall be glad to hear you now.

STATEMENT OF G. DOUGLASS DEBEVOISE, PRESIDENT; ACCOMPANIED BY CHARLES KRISTIE, ASSISTANT TREASURER; AND WALTER SURREY, COUNSEL, SOUTH PUERTO RICO SUGAR CO.

Mr. Debevoise. Mr. Chairman and members of the committee, my name is G. Douglass Debevoise. I am most grateful for the opportunity to appear before you. I testify as president of the South Puerto Rico Sugar Co., a New Jersey corporation, which produces sugar in the Dominican Republic and Puerto Rico, whose stock is listed on the New York Stock Exchange and which is owned principally by 8,000 Americans who closely observe our progress. My remarks here are a summary of a more inclusive written statement which I have also provided you.

I appreciate this privilege of discussing with you principally matters pertaining to Dominican sugar, inasmuch as the Dominican Government will not be appearing before your committee to express its views. In addition to being faced with all the difficulties inherent in establishing a new government, the financial turbulence encountered by the Dominicans as they struggle from depotism to democracy has enforced strict austerity measures. I can only hope that their forced reliance on my presentation will not prove to be false economy.

Let me briefly review the present political situation in the Dominican Republic.

On May 30, 1961, the Dominican Republic was freed of the tyrant Trujillo. For a brief period, members of his family attempted to continue his totalitarian rule. Their efforts failed. With the assistance of the U.S. fleet which appeared briefly off Santo Domingo, and after a short period of rule under the Trujillo-inherited President Balaguer, a democratic form of government finally came to power. That government is an interim government, ruled by a Council of State consisting of seven respected, responsible Dominicans.

The Dominicans have thus anxiously begun to travel an admittedly difficult road from despotism to a stable democratic form of government. In less than 3 months Dominicans will be electing delegates to draft a new constitution, and free democratic general elections, the first in over 32 years, are scheduled for the end of 1962. In these circumstances, the immediate and long-term political future of the Dominican people cannot be certain.

There are a number of agitating Communist Castroite organizations ready to take over if the present chosen democratic path fails. The great majority of the Dominican people are honestly searching for the firm establishment of a free democratic system of government. But inexperience, bewilderment, and confusion, which necessarily attend their first experience at hearing and reading freely expressed views from any source, can lead to a vacuum of inaction. The small Communist Castroite groups are well organized to fill that vacuum.

The importance to the United States that the present efforts of the Dominicans be succesful, and that the efforts of the opposition Communist Castroite groups be unsuccessful, cannot be overemphasized. As you know, the Dominican Republic occupies the eastern two-thirds of the Island of Hispaniola; that island is closer to Cuba than this committee room is to Richmond.

A failure of the present government and a takeover by the Communist Castroite organizations would also adversely affect the Republic of Haiti. Thus, the whole island would fall under Cuban domination.

Of equal, and perhaps greater, significance would be the repercussions throughout all of Latin America. As the Dominicans attempt to turn from totalitarianism to democracy, the other American Republics are fully aware of the United States special role in the development of a democratic Dominican Republic. A failure to achieve a democratic government in the Dominican Republic will be our failure, and the impact of this failure will be many times compounded were it to result from an undercutting of its economy due to action taken by the United States.

I do not want to reiterate to the boredom of this committee all the arguments against the proposed 5-year progressive (a peculiar word to use in this connection) attainment of global quotas and the recapture provision applicable to the reallocation of the Cuban quota. I subscribe to any and all effective arguments against these proposals.

Let me, however, add one special fact of opposition peculiar to the situation in the Dominican Republic. Were the United States to provide for any part of Dominican sugar to be sold here at the United States price but with an attendant recapture provision equal to the difference between United States and world price, the political impact on the ruling Council of State could be disastrous. And combining

this formula with an offer of aid as compensation—charity instead of trade—does not make it more palatable.

The Communist Castroite groups would reap the greatest political benefit out of such action; the new democratic government, they would stress, is treated just the same as the Trujillo dictatorship. Alliance for Progress in the Dominican Republic could well become alliance with Cuba.

Ladies and gentlemen, I am not inclined to panic or overstatement; I am, however, as president of the South Puerto Rico Sugar Co., required to give my calculated and objective appraisal of the situation based on my recent visits there, the reports of our people, Dominican and American, stationed there, and the reports we receive from official Dominican and United States sources, and from other business sources. These reports come down to one basic fact—the future is far from certain and any action by our Government which tends to undercut the economy or the political position of the Dominican Government can well result in the forced resignation or fall of the Council of State. The decision rests at this time with this committee.

This brings up the question of the size of the Dominican quota. I am not here to argue at this time for a specific figure. If you have the facts, your decision is bound to be both fair and fully consistent with the national interests of the United States.

The Dominican Republic in 1960 exported more sugar than any country in the world except Cuba. It won't take a posse of economists to round up a successor to the sugar reserve of Cuba; the natural successor is right next door to Cuba.

And the role of successor can provide a vital economic thrust in assuring success to the present democratic Dominican Government. Upon assuming power, the Council of State found a virtual bankrupt economy. Substantial sums of money had "disappeared"—to use a diplomatic word for it—from the country with the departure of the former Trujillo members of the government.

In addition to the drastic loss of foreign exchange reserves, there was almost a complete breakdown of domestic trade caused by the disruption of political and some economic relations with most of the American Republics as a result of the OAS action, and by the governmental changeovers and accompanying general strikes. Unemployment was an islandwide disease; a substantial segment of the working population was idle, hungry, politically confused and a fertile field for a Communist Castroite dictatorship.

One of the first steps taken by the present Government to meet this serious economic and political problem was to increase wages and salaries, principally in the sugar industry. This step was taken in reliance on the Dominican Republic securing a reasonable participation in the U.S. sugar quota over a long period of time. Another step recently taken by the Dominican Council of State was the enactment of an agrarian reform law which provided for the distribution to landless farmers of 750,000 acres of former Trujillo-owned properties.

But the people in the Dominican Republic are not looking for handouts or gifts. After their long suffering under totalitarian rule, they, now more than ever, are conscious of fair treatment. This they have not had; they desire and will respect it. The opportunity

to meet this challenge, or better to take advantage of the healthy development in the Dominican political situation depends in large part on the U.S. sugar policy.

Sugar is the source of energy on which the Dominican economy runs. Of all wages and salaries paid out by the industrial sector, 55 to 60 percent is accounted for by the sugar industry. In this little nation, which produces almost totally for export, the sugar industry employs about 60,000 persons during the crop season—20,000 in the factories, and the remaining 40,000 in the sugarcane fields. During the idle season, 35,000 are employed.

The sugar exports of the Dominican Republic in 1961 were 847,605 short tons. Of this amount, 346,398 short tons were sold in the United States at a penalty price, and the remainder in the so-called world market, including 260,382 short tons to Great Britain.

There has been, however, in the last years, an accelerated disappearance of the United Kingdom sugar market. In the past, the amount of raw sugar purchased by British refiners from non-Commonwealth sources depended almost entirely on their reexports of refined sugar. Now, the Russian satellite countries, utilizing Cuban sugar, have, by price undercutting, been capturing the historical British reexport markets. The Russian satellites are even shipping refined sugar into the United Kingdom itself at prices lower than those that can be offered by the Dominican Republic for its raw sugar. This has resulted in a rapid shrinkage of that market, and that shrinkage has now reached the vanishing point; we expect no sales in 1962 to the United Kingdom—long our principal market. Thus, the Dominican ability to sell in the world market has dropped to a pitiful bottom; the Soviet-Cuban-dominated world market, unpredictable to all but the Soviet-Cuban bloc, has eliminated the last resort of homeless nonprotected bulk export sugar.

The Dominican Republic is of vast importance to my company. This year marks the golden anniversary of our operations in the Dominican Republic; we, in effect, went there "on the Mayflower," long before Trujillo took over. Our total plant in the Dominican Republic is valued at $74 million replacement value.

The question has been raised by many in the executive branch as to whether the benefits of the sale of sugar in the United States go entirely to the large sugar companies, or whether these benefits "trickle down," to use the experts' language, to the people of the country. Mr. Chairman, in the Dominican Republic the benefits do not trickle down to the people; they flow down.

The benefits from the sale of Dominican sugar in the U.S. market flow to the people of the Dominican Republic through wages and fringe benefits paid to the workers, payments to independent farmers, taxes paid to the Government of the Dominican Republic, general social progress outlays, and reinvestment in plant and equipment involving utilization of locally manufactured products and local labor.

The facts to which I will refer relate primarily to my company's operations. However, these facts are fully indicative of the operations of the other private sugar companies as well as the companies recently taken over by the Government of the Dominican Republic.

In early 1962, in consultation with the Dominican Republic Government and in anticipation of its return to long-term participation in the U.S. sugar quota, substantial wage increases were granted by all Dominican sugar companies. The specific intent of these increases was to pass on to the workers the benefits of the anticipated sales in the United States and to provide sufficient inducement to the Dominican workers to work in the fields in place of Haitian imported labor, thereby reducing Dominican unemployment.

The wage increases were substantial by any standards; canecutters, up 65 percent from 96 cents per metric ton of cane cut and hauled to $1.53 per ton; unskilled fieldworkers, not including canecutters, from approximately $1 to $2 per day; factory workers received increases of 25 to 103 percent, making for a minimum wage of $3.20 and going up to as high as over $8.70 per day; and salaried factory employees received monthly increases amounting in the lower salary scales to as high as 80 percent.

Let me translate these increases into a single figure: the total value of these increases in 1962 will, for our company alone, approximate $4.1 million. The full significance of the figure $4.1 million in terms of its impact on our company is best illustrated by the fact that it is greater than our company's total net profits after taxes in 1961 and twice out total net profits after taxes in 1960. The significance of the figure of $4.1 million in terms of its impact on our selling price is best understood by pointing out that our cost of wages and our payments to independent farmers, apart from any other costs of production or of sales, approximate the price per ton we can receive for sugar on the world market today.

This is no "trickle down." Our wage scale reaches as high as wages paid by any Latin American country for comparable work. Our direct payments in 1962 to our workers and independent farmers will aggregate over $13.1 million. Our workers will, in addition, receive approximately $1.1 million as vacation pay, sick pay, and Christmas bonuses, for a grand total of $14.2 million to our workers and independent farmers.

In addition to our wage payments, there are the tax payments we will be making to the Dominican Republic. In the Dominican Republic, we are subject to export taxes on sugar shipped and income tax of 56 percent. These taxes on all sugar companies further assure that the benefits of sugar operations in the Dominican Republic benefit the Government, and through the Government, the people of the Dominican Republic.

We anticipate that our Dominican taxes, both export and income taxes, for 1962, will approximate $6 million. Accordingly, from wages, payments to independent farmers, and taxes, we, the South Puerto Rico Sugar Co., will alone be paying out $20.2 million, an amount almost equal to the total receipts of the Dominican Republic in 1961 from the sale of coffee and cocoa, the second and third largest crops in the Dominican Republic.

The flow of benefits does not, however, end here. We, as an American company, have always felt obligated to advance the policies which our Government has officially incorporated in the Alliance for Progress.

My pride in my company's actions in this area will not be deemed unwarranted, I believe. I see the good results of our policy of treating our Dominican, American, and European workers identically and, in fact, giving priority to our Dominicans under our promotion programs; of our adult education and agricultural scholarship programs; of our extensive housing programs for our workers.

Our program of reinvestment to maintain our plant also creates benefits for Dominican workers. In 1962, we reinstituted our reinvestment program, curtailed during the last years of Trujillo, and have scheduled expenditures for maintenance and plant expansion of up to $2 million, dependent on political developments in the island. In large part, the direction such political developments take will hinge on the results of your considerations in this committee.

Mr. Chairman, these are the facts; these are the benefits to the peoples of the Dominican Republican from our sales in the preferential U.S. market. But there should be no misunderstanding. If the U.S. preferential market is taken away or diminished, our U.S. shareholders will suffer, but the real loss will be that experienced first by the Dominican people, then by the Dominican Republic, and then by the United States in its critical foreign relations with all of Latin America.

There has also been the fear expressed that, despite warnings that a Cuban quota will eventually go back to a free Cuba, an overexpansion of production will result from the temporary reallocation of the Cuban quota to other countries. These warnings should be reinforced by providing in the new legislation a specific basic quota of 1 million tons for Cuba to come into effect by Presidential proclamation. This recognizes Cuba's present, and worsening, sugar production capacity; it avoids the unfortunate return to a system of overreliance on one country for our foreign sugar supply; it eases the problem of reallocation now and cushions the eventual impact on countries benefiting from such reallocation when the happy day arrives when Cuba returns to the family of free nations.

It would also seem wise to provide that the quota allocations and all contingent allocations be fully spelled out by Congress, and that quotas be assigned only to Western Hemisphere countries and the Philippines. These proposals will assure easy administration of the Sugar Act now and in the future; will guarantee a sure supply to the U.S. consumer; will provide needed foreign exchange based on trade between equals; and will offer a sound basis on which to build healthy economies. If the quotas are spread the world over, or if overreliance is again placed on one country, the benefits will become so diverse as to offer only tantalizing prospects and little beneficial meaning to most countries.

Mr. Chairman, the written statement I have submitted to the committee, covers two additional points:

First, Puerto Rico. Let me summarize that testimony by saying this is not the time to cut the quota of this showcase for developing Western Hemisphere countries, which now is undertaking important steps to assure it can meet its quota in the not too distant future.

Second, I submit to each of you a report prepared for my company by Booz-Allen & Hamilton, Inc., on possible nonhuman consumption uses of sugar. It reveals the important desirability of authorizing the

importation from Western Hemisphere countries on a nonquota basis of raw sugar for industrial purposes. I commend this report and recommend it to you for your serious consideration.

Let me briefly summarize my testimony:

First, let us recognize categorically that global quotas, whether arrived at immediately or tortuously over 5 years, and any recapture provision applicable to the Cuban reallocation defy the successful history of the Sugar Act. Insofar as the Dominican Republic is concerned, the very making of these proposals by the administration jeopardizes the Dominicans' understandably unsteady steps toward achieving a sound democratic form of government. Let not this Government, as the Dominicans leave the jungle of despotism, make their course more difficult, if not impassable. Let us not be beguiled by economic theories that defy history and commonsense; let us act responsibly in full recognition of the aspirations of the peoples in the Dominican Republic, indeed of all people to our south, in their hungry quest for economic improvement through supported self-help in an environment of progressive democracy;

Second, let us, both for selfish and unselfish reasons, always remember that the Western Hemisphere is the sugar bowl of the United States. Practical recognition of this fact can be secured by providing that our offshore sugar requirements be met from the Western Hemisphere, and the Republic of the Philippines. This will benefit our consumers by assuring generally accessible high quality sugar; but it will also benefit our partners in President Kennedy's eloquently inspired Alianza para Progreso program.

Mr. Chairman, ladies and gentlemen of the committee, this concludes my oral testimony. I thank you for your indulgence and hold myself ready to answer, to the best of my ability, any questions you may have on any aspect of my testimony.

Thank you.

I should like to submit this amendment for the record.

The CHAIRMAN. It may be made a part of the record at this point.

(The amendment and full statement of Mr. Debevoise follow:)

SUBMITTED BY G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO.

Subsection 212(4) of the Sugar Act of 1948, as amended (relating to the inapplicability of quota provisions), is amended to read as follows:

"SEC. 212. The provisions of this title shall not apply to * * *. (4) Any sugar or liquid sugar imported or brought into the United States from countries in the Western Hemisphere or produced or manufactured in the United States for the production of alcohol, or of any other products of fermentations, or for animal feed, or for the production of animal feed, or for use as a raw material in the manufacture of chemical products, or as an additive in non-human food applications."

STATEMENT OF G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO.

My name is G. Douglass Debevoise. I am most grateful for the opportunity to appear before you. I testify as president of the South Puerto Rico Sugar Co., a New Jersey corporation, whose stock is listed on the New York Stock Exchange and which is owned principally by 8,000 Americans who closely observe our progress.

I appreciate this privilege of discussing with you the matters pertaining to Dominican and Puerto Rican sugar, especially the Dominican, inasmuch as the Dominicans, unlike the Puerto Ricans, will not be appearing before your com-

mittee to express their views. The financial turbulence encountered by the Dominicans as they struggle from despotism to democracy, has enforced strict austerity measures. I can only hope that their forced reliance on my presentation will not prove to be false economy.

Let me review briefly the present political situation in the Dominican Republic. During the past year there has occurred a profound change in the Government of the Dominican Republic, a change as far reaching as that which occurred in Cuba. But the Dominican change was without accompanying bloodshed and without a turn to communism.

On May 30, 1961, the Dominican Republic was freed of the tyrant Trujillo. For a brief period, members of his family attempted to continue his totalitarian rule. Their efforts failed. With the assistance of the U.S. fleet which appeared briefly off Santo Domingo, and after a short period of rule under the Trujillo-inherited President Balaguer, a democratic form of government finally came to power. That Government is an interim government, ruled by a Council of State consisting of seven respected, responsible Dominicans.

The Dominicans have thus anxiously begun to travel an admittedly difficult road to a stable democratic form of government, a road filled with many predictable pitfalls and unpredictable barriers. In less than 3 months the Dominicans will be electing delegates to draft a new constitution, and free democratic general elections, the first in over 32 years, are scheduled for the end of 1962. The political future of the Dominican people, most of whom have never experienced either the benefits or the responsibilities of a free society, is far from certain.

There are a number of agitating Communist Castroite organizations ready to take over if the present chosen democratic path fails. The great majority of the Dominican people are honestly searching for the firm establishment of a free democratic system of government. But inexperience, bewilderment, and confusion, which necessarily attend their first experience at hearing and reading freely expressed views from any source, can lead to a vacuum of inaction. If any such vacuum occurs, the small but well-organized Communist Castroite groups are ready to fill it.

The importance to the United States that the present efforts of the Dominicans be successful, and that the efforts of the opposition Communist Castroite groups be unsuccessful, cannot be overemphasized. As you know, the Dominican Republic occupies the eastern two-thirds of the Island of Hispaniola; the western one-third of the island being occupied by the Republic of Haiti. The island itself is situated approximately 75 miles from Puerto Rico to the east and approximately 60 miles from Cuba to the west. It is closer to Cuba than this committee room is to Richmond.

A failure of the present government and a takeover by the Communist Castroite organizations, would have a direct impact on the course of the Republic of Haiti. Thus, the Island of Hispaniola would be under Cuban domination.

Of equal, and perhaps greater, significance, would be the repercussions throughout all of Latin America. As the Dominicans attempt to turn from totalitarianism to democracy, the other American Republics are fully aware of the United States special role in the development of a democratic Dominican Republic. Just as the success of the Dominican Republic would be to our credit, equally so its failure would be considered our responsibility. And the impact of this failure would be many times compounded were it to be the result of any undercutting of its economy due to action taken by the U.S. Government.

I do not want to reiterate to the boredom of this committee all the arguments against the proposed 5-year progressive (a peculiar word to use in this connection) attainment of global quotas and the recapture provision applicable to the reallocation of the Cuban quota. I subscribe to any and all effective arguments against these proposals; they are so unjustified and so unreasonable that I cannot believe that this committee will indulge itself in serious consideration of them.

Let me, however, add one special fact of opposition peculiar to the situation in the Dominican Republic. As I mentioned above, the development of democracy in the Dominican Republic is, at best, in a tenuous position. Were the United States to provide for any part of Dominican suger to be sold here at the U.S. price but with an attendant recapture provision equal to the difference between United States and world price, the political impact on the ruling council of state could be disastrous. And combining this formula with an offer of aid as compensation—charity instead of trade—does not make it more palatable.

The Communist Castroite groups would reap the greatest political benefit out of such action; the new democratic government, they would stress, is treated just the same as the Trujillo dictatorship; the United States is not motivated by principle, but by Yankee imperialism. Alliance for Progress in the Dominican Republic could well become alliance with Cuba.

Ladies and gentlemen, I am not inclined to panic or overstatement; I am, however, as president of the South Puerto Rico Sugar Co., required to give my calculated and objective appraisal of the situation based on my recent visits there, the reports of our people, Dominican and American, stationed there, and the reports we receive from official Dominican and United States sources, and from other business sources. These reports come down to one basic fact—the future is far from certain and any action by our Government which tends to undercut the economy or the political position of the Dominican Government can well result in the forced resignation or fall of the Council of State. The decision rests at this time with this committee.

This brings up the question of the size of the Dominican quota. I am not here to argue at this time for a specific figure; I believe it is my duty to my company and as the only witness who will be discussing the Dominican situation with you to outline briefly the facts. If you have the facts, your decision is bound to be both fair and fully consistent with the national interests of the United States.

The Dominican Republic in 1960 exported more sugar than any country in the world except Cuba—even more than the Philippines. It won't take a posse of economists to round up a successor to the sugar reserve of Cuba; the natural successor is right next door to Cuba.

And the role of successor can provide a vital economic thrust in assuring success to the present democratic Dominican Government. In its brief period in office the Dominican Council of State has done a commendable job. Upon assuming power, the Council of State found a virtual bankrupt economy. Substantial sums of money had disappeared—to use a diplomatic word for it—from the country with the departure of the former Trujillo members of the Government. The gold and foreign exchange holdings of the Central Bank fell within a year from $45.1 million in the third quarter of 1960 to $6.8 million in November 1961.

In addition to the great loss of foreign exchange reserves, there was almost a complete breakdown of domestic trade caused by the disruption of political and some economic relations with most of the American Republics as a result of the OAS action, and by the governmental changeovers and accompanying general strikes. New foreign investment in the Dominican Republic had understandably come to a halt. Unemployment was an islandwide disease; a substantial segment of the working population was idle, hungry, politically confused and a fertile field for a Communist Castroite dictatorship.

The situation, however, was not, and is not, impossible. The Dominican Republic economy is reasonably well organized with respect to basic economic development. In the very few months that the Council of State has been in office, the domestic economy has started upward; the financial position of the Dominican Republic has improved as foreign exchange reserves climbed to approximately $15.5 million in March 1962.

One of the first steps taken to meet this serious economic and political problem was to increase wages and salaries, principally in the sugar industry. This step was taken in reliance on the Dominican Republic securing a reasonable participation in the U.S. sugar quota over a long period of time.

The increased wages made it possible to attract enough Dominicans to work in the field, so that the practice imposed by the Trujillo dictatorship of importing cheap Haitian labor for canecutting could be discontinued. Thus the standard of living was substantially raised and unemployment reduced.

Another step recently taken by the Dominican Council of State was the enactment of an agrarian reform law which provided for the distribution to landless farmers of 750,000 acres of former Trujillo-owned properties. Further steps are contemplated for assuring that all the people in the Dominican Republic will benefit from economic well-being and continued economic growth.

But the people in the Dominican Republic are not looking for handouts or gifts. After their long period of totalitarian rule, they now, more than ever, attach importance to, and are conscious of, fair treatment. This they have not had; this they desire and will respect. The opportunity to meet this challenge, or better, to take advantage of this healthy development in the Dominican politi-

cal situation, depends in large part on the U.S. sugar policy. Indeed, the answer to that challenge rests in the hands of this committee.

Sugar is the source of energy on which the Dominican economy runs. But the Dominican Republic recognizes and has recognized that complete dependence upon sugar is not healthy for its economy, and is generally not good for the stability of the Western Hemisphere. It is a fact, however, that the financing of diversification must come principally from the sale of sugar at a reasonable profit.

Thus, sugar still is the main product of the Dominican Republic. Of all wages and salaries paid out by the industrial sector, 55 to 60 percent is accounted for by the sugar industry. The sugar industry employs about 60,000 persons during the crop season—20,000 in the factories, and the remaining 40,000 in the sugarcane fields. During the idle season, 35,000 are employed.

The sugar exports of the Dominican Republic in 1961 were 847,605 short tons. Of this amount, 346,398 short tons were sold in the United States at a penalty price, and the remainder in the so-called world market, including 260,382 short tons to Great Britain.

There has been, however, in the last years, an accelerated disappearance of the United Kingdom sugar market. In the past, the amount of raw sugar purchased by British refiners from non-Commonwealth sources depended almost entirely on their reexports of refined. Now the Russian satellite countries, utilizing Cuban sugar by price undercutting, have been capturing the historical British reexport markets. The Russian satellites are even shipping refined sugar into the United Kingdom itself at prices lower than those that can be offered by the Dominican Republic for its raw sugar. This has resulted in a rapid shrinkage of that market, and that shrinkage has now reached its pitiful bottom; we expect no sales in the United Kingdom in 1962.

In effect, the Dominican ability to sell in the world market has disappeared. Thus, more and more the Soviet-Cuban dominated world market, unpredictable to all but the Soviet-Cuban block, has eliminated the last resort of homeless nonprotected export sugar.

The Dominican Republic is of vast importance to my company. This year marks the golden anniversary of our operations in the Dominican Republic; we, in effect, went there on the *Mayflower*, long before Trujillo took over.

Over the past decade, 72 percent of our company's tonnage was produced in the Dominican Republic. We derive over 60 percent of our total revenues from there, the lower percentage being due to our past reluctant dependence upon the world market for much of our sales. Our total plant in the Dominican Republic is valued at $74 million replacement value.

The benefits from the sale of Dominican sugar in the U.S. market flow to the whether the benefits of the sale of sugar in the United States go entirely to the large sugar companies, or whether these benefits "trickle down," to use the experts' language, to the people of the country. Mr. Chairman, in the Dominican Republic the benefits do not trickle down to the people; they flow down. I only wish some of the facts would "trickle up" to our Government experts.

Let me give this committee the facts; at least, I know you will be receptive to hearing and considering them.

The benefits from the sale of Dominican sugar in the U.S. market flow to the people of the Dominican Republic through wages and fringe benefits paid to the workers, payments to independent farmers, taxes paid to the Government of the Dominican Republic, general social progress outlays, and reinvestment in plant and equipment involving utilization of locally manufactured products and local labor.

The facts to which I will refer relate primarily to our operations. However, these facts are fully indicative of the operations of the other private sugar companies as well as the companies recently taken over by the Government of the Dominican Republic.

In early 1962, in consultation with the Dominican Republic Government and in anticipation of the return of the Dominican Republic to the family of free nations and its return to long-term participation in the U.S. sugar quota, substantial wage increases were granted by all Dominican sugar companies. The specific intent of these increases was to pass on to the workers the benefits of the anticipated sales in the United States and, as indicated previously, to provide sufficient inducement to the Dominican workers to work in the fields in place of Haitian imported labor, thereby reducing Dominican unemployment.

The wage increases were substantial by any standards: canecutters, up 65 percent from $0.96 per metric ton of cane cut and hauled to $1.53 per ton; unskilled fieldworkers, not including canecutters, from approximately $1 to $2 per day; factory workers, from 25 to 103 percent, making for a minimum wage of $3.20 and going up to as high as over $8.70 per day; and salaried factory employees, monthly increases as high as 80 percent for those in the lower salary scales.

Let me translate these increases into a single figure: The total value of these increases in 1962 will, for our company alone, approximate $4.1 million. The full significance of the figure $4.1 million in terms of its impact on our company is best illustrated by the fact that it is greater than our total profits after taxes in 1961 and twice our total profits after taxes in 1960. The significance of the figure of $4.1 million in terms of its impact on our selling price is best understood by pointing out that our cost of wages and our payments to independent farmers, apart from any other costs of production, approximate the price for sugar on the world market.

This is no "trickle down." Our wage scale reaches as high as wages paid by any Latin American country for comparable work.

And it is perhaps of greater significance to the people of the Dominican Republic that their wage increases are not diluted by inflationary forces but are transferred into increased purchasing power—into an increased standard of living. The economy of the Dominican Republic has not been the victim of the rampant inflationary forces existing in so many other countries. As is evident from International Monetary Fund statistics, as of December 1961, the cost of living in the Dominican Republic was 7 percent below that of 1953. As reported in April 1962, no other country showed a decrease. For example, our own country and Canada showed a 12-percent increase above 1953 levels.

In 1962, during the grinding season, 19,000 Dominicans will be employed by us and will depend on us for their livelihood. Even during the idle season, which we anticipate will be no more than 1 month this year depending on the weather and assuming a fair U.S. quota, as compared to 5 months in 1961, 7,000 Dominicans will be in our employ.

Our direct payments in 1962 to our workers and independent farmers will aggregate over $13.1 million. Our workers will, in addition, receive approximately $1.1 million as vacation pay, sick pay, and Christmas bonuses, for a grand total of $14.2 million to our workers and independent farmers.

In addition to our wage payments, there are the taxpayments we will be making to the Dominican Republic. In the Dominican Republic, we are subject to export taxes on sugar shipped and an income tax of 56 percent. For the first time, all Dominican sugar producers are subject to the same type of taxes, and the same tax rates. These taxes further assure that the benefits of sugar operations in the Dominican Republic benefit the people, for the tax revenues finance Government programs designed to raise the standard of living for all the people of the Dominican Republic.

We anticipate that our Dominican taxes for 1962 will approximate $6 million. Accordingly, from wages and taxes, we, the South Puerto Rico Sugar Co., will alone be paying out $20.2 million, an amount almost equal to the total receipts of the Dominican Republic in 1961 from the sale of coffee and cocoa, the second and third largest crops in the Dominican Republic.

The flow of benefits does not, however, end here. We, as an American company, have always felt obligated to advance the policies which our Government lately has officially adopted in the Alliance for Progress. We have always recognized the social dignity of our workers. Motivated by what I identify as enlightened self-interest, we have been, and are continually, undertaking social progress measures.

My pride will not be be deemed unwarranted, I believe. I see the good results of our policy of treating our Dominican, American, and European workers identically and, in fact, giving priority to our Dominicans under our promotion program; of our adult education program to develop mechanical skills; of our agricultural scholarships program to provide talented youths with the opportunity to receive a college education; of our extensive housing program for our workers. Under this program we have provided on a rent-free basis over 5,000 temporary houses for our fieldworkers. At our factory, we have built, and provide also on a rent-fee basis, 600 concrete houses with full indoor facilities. Finally, we are now in the process of completing extensive plans to construct concrete houses for our field labor at a cost of well over a million dollars.

Our program of reinvestment to maintain our plant also creates benefits for Dominican workers. We have, however, marked time in recent years in carrying out this reinvestment policy—for a good reason. Our actions were consistent with the policies of the U.S. Government to avoid to the extent feasible any action which would inure to the benefit of, and help maintain in power, the former Trujillo regime.

In 1962, however, we reinstituted our reinvestment program and have scheduled expenditures for maintenance and plant expansion of up to $2 million, dependent on political developments in the island. In large part, the direction such political developments take will hinge on the results of your considerations in this committee.

Mr. Chairman, these are the facts; these are the benefits to the peoples of the Dominican Republic from our sales in the preferential U.S. market. But there should be no misunderstanding. Admittedly, if the U.S. preferential market is taken away or diminished, the American stockholders of the South Puerto Rico Sugar Co. will suffer. But the real loss will be that experienced first by the Dominican people, then by the Dominican Republic, and then by the United States in its critical foreign relations with all of Latin America.

Let me state at this point that I fully recognize and appreciate the problem with which Mr. Moscoso, for whom I have the highest regard, and his associates are concerned—the problem of assuring that the benefits of sales of sugar in this market assist the economies and peoples of the supplying countries. The proper solution appears simple to me; perhaps I am too naive.

As I understand the Alliance for Progress program, the recipient countries of our aid, as a condition to receiving aid, are required to initiate and implement certain measures to assure that the benefits are properly distributed throughout the country. If, in fact, any one country is not taking such measures and is, therefore, not eligible for Alliance for Progress aid, I would suggest that it would be entirely appropriate to suspend that country's sugar quota at the same time AID assistance is suspended, until corrective measures are taken.

But we should not cut off the traditional benefits of the U.S. market to all Western Hemisphere countries because of the possibility of an unfavorable situation in one or two countries. If that be the logic of the situation, then is it not equally logical to suspend Alliance for Progress aid to all Western Hemisphere countries when one such country fails to meet Alliance standards? And if a country is incapable of administering satisfactory wage and tax programs on its sugar earnings, surely it is incapable of properly administering Alliance gifts and loans.

There has also been the fear expressed that an overexpansion of production will result from the temporary reallocation of the Cuban quota to other countries. The Western Hemisphere sugar-producing countries have been repeatedly warned that eventually a part of the existing Cuban quota will be restored to Cuba.

I believe this warning should be reinforced by providing in the new legislation a specific quota for Cuba to come into effect by Presidential proclamation. This will also eliminate any hysteria at such time as Cuba rejoins the free world.

I share Mr. Chapman's reasoned views that the Cuban quota be established at 1 million tons plus participation in the growth formula. This recognizes Cuba's present, and worsening, sugar production capacity; it avoids the unfortunate return to a system of overreliance on one country for our foreign sugar supply; it eases the problem of reallocation now and cushions the eventual impact on countries benefiting from such reallocation when the happy day arrives when Cuba returns to the family of free nations.

I also join fully and strongly with Mr. Chapman's recommendations that the quota allocations and all contingent allocations be fully spelled out by Congress, and also that quotas be asigned only to Western Hemisphere countries and the Philippines.

These proposals will assure easy administration of the Sugar Act now and in the future; will guarantee a sure supply to the U.S. consumer; will provide needed foreign exchange based on the principle of trade between equals; and will offer a sound basis on which to build healthy economies. If the quotas are spread the world over, or if overreliance is again placed on one country, the benefits will become so diverse as to offer only tantalizing prospects and little real beneficial meaning to most countries.

I should like to now turn briefly to our company's operations in Puerto Rico. We have operated in Puerto Rico even longer than in the Dominican Republic—for 62 years, in fact. Last year our Puerto Rican mill processed over a million tons of cane, a new high for the last quarter century. I cite this achievement not only out of pride in what the Puerto Ricans are accomplishing, but also because there are some restless ones who wish to curtail Puerto Rico's quota.

These people are disturbed by the island's failure to meet quotas since 1956. The reasons for this failure are well known to you. Hurricanes, other damaging natural events, difficulties in adjusting to new growing and harvesting procedures have all played a part.

Certain steps have been taken, however, to correct those harmful causes over which man can exercise some degree of predictable control. That these steps are in the right direction is evidenced by the fact that the acreage harvested in 1960 exceeded that of 1959, and 1961's acreage was even higher. More important, yields have been increasingly greater each year. In fact, the 1961 crop was the highest since 1952.

This increasing improvement has been the result of more scientific planning and growing and through some introduction of mechanization. The individual producers have undertaken such measures as aerial spraying and sought improved efficiency in the use of labor and field machinery by lengthening the harvest season.

Our own company has created more employment by extensive night grinding. However, proper implementation of the 500-acre law, which limits to 500 acres the amount of land a corporation may own or control, and correction of the present situation cannot be fully effected without some means of providing the small farmer with the financial resources, the technical know-how, and the mechanization for correcting and improving growing practices.

Governor Muñoz has also recognized this problem. In fact, approximately 3 years ago the Governor of Puerto Rico, in a message to the legislative assembly, proposed that small farmers be permitted to enter into long-term contracts with servicing companies which would plant, cultivate, harvest, and process crops for a regulated fee. Servicing operators with adequate resources and technical knowledge to apply modern agricultural methods will boost production by 50 percent, at a conservative estimate. The servicing companies, which could be owned by mills, would not obtain ownership or control rights over the farm, thereby preserving the integrity of Puerto Rico's 500-acre law, with which our company has fully complied and against which we have no argument.

At the present time, a Governor-appointed committee, composed of representatives from Government, farmers, and labor, are holding hearings to recommend action to be taken to correct the present situation. I believe this committee will recognize the need for action in the form of implementing the service contract concept and other progressive steps in order to increase productivity by providing the necessary financing, technical know-how, and mechanization needed to increase productivity.

So I urge you—do not cut Puerto Rico's quota now. Encourage the steps that are being taken, and give support to this American Commonwealth, which, under the wise leadership of such men as Governor Muñoz, Teodoro Moscoso, and yours—as well as Puerto Rico's—outstanding Delegate Fernós-Isern, has become the showcase for the developing Western Hemisphere countries.

Let me, in conclusion, raise a new subject. For many years the directors of the South Puerto Rico Sugar Co. have been searching for new uses for both sugar and bagasse, the waste resulting from the production of sugar. Much has been done and is being done with respect to the utilization of bagasse. In fact, our own company in the Dominican Republic has been producing a chemical known as furfural for use, principally, by the Du Pont Corp. in the United States. At the present time, in light of the new political developments in the Dominican Republic, we, at last, feel free to expand this production in the Dominican Republic.

But not much has been done about developing new uses for sugar itself. This is a problem that faces not only our own company, but all sugar producers and all sugar economies. The future requirements of world sugar for human consumption are easily predicted; the only real variable is the rate of increase in population, for consumption per capita remains a stagnant figure. To solve the sugar economy of future generations, man must create new uses for sugar. The time to encourage the scientific breakthrough for new uses is now.

It has been our view that the responsibility for initiating the scientific research for developing new nonhuman consumption uses of sugar is the province of private initiative. Accordingly, last year our company engaged the internationally known U.S. management consulting firm, Booz-Allen & Hamilton, Inc., to undertake the first essential step, a scientific survey to measure the market of sugar uses as an industrial raw material and for other nonhuman consumption uses.

We are indeed grateful to the chairman of your committee for the encouragement he gave to this survey. I am certain that his letter of May 22, 1961, to Booz-Allen & Hamilton was in large part responsible for the fact that 67 percent of those companies to whom Booz-Allen & Hamilton sent a detailed questionnarie, replied to the questionnaire.

I have with me for each member of this committee, a copy of the report Booz-Allen & Hamilton has made to my company. I urge that it be considered at this time as opening up a new way of assisting the sugar producing countries of the Western Hemisphere in disposing of their sugar.

Let me briefly summarize the results of the survey. It confirms the fact there is virtually no market for industrial use of sugar at prevailing price levels. However, at price levels of 3.5 to 4 cents per pound of raw sugar and 4 to 5 cents per pound for refined sugar, a demand for 220,000 tons is projected in 1966 and 334,000 tons in 1971. The 1966 projection is more than double the present consumption of sugar for industrial uses.

This increase is based on existing known uses. One of the principal uses is the substitution of raw sugar for inverted molasses, formerly produced by Cuba and exported to the United States on a nonquota basis.

The really significant part of the report, however, is that if the Congress does provide for the availability of raw sugar for nonfood uses at prices significantly below the prevailing U.S. price, there will be stimulated a large amount of industrial research presently precluded because of the high cost of sugar. At this stage, I suggest the program be restricted to raw sugar.

As the committee can well appreciate, American research ingenuity will eventually create extensive new demands for sugar for nonhuman consumption. The achievement of this result over a period of time requires only that this committee acts now to authorize the importation of a fourth category of sugar—that is, raw sugar for industrial use.

To this end, I had prepared suggested legislation to authorize the importation of raw sugar at such levels for nonhuman consumption. I wish to stress the following points in connection with this proposed amendment to the legislation:

(1) The sale of such sugar for such purposes be made available on a nonquota basis to suppliers of the United States and Western Hemisphere sources.

(2) The availability of a market for such sugar will obviously not interfere with the provision of sugar for human consumption to the United States at the premium price of the U.S. market.

(3) The availability of such sugar on a nonquota basis can offer a regular increasing market to the sugar producing countries of the Western Hemisphere, enabling them to mitigate the inherent pitfalls of placing any reliance on the Soviet-Cuban-controlled world market as the only market for the sale of sugar produced over and above the fulfillment of their U.S. quotas.

(4) The use of sugar for known, and yet to be discovered,, purposes, offers untold benefits to people everywhere.

Our board of directors has been most gratified at the very careful survey undertaken by Booz-Allen & Hamilton and we feel that in authorizing this survey we have undertaken a project that can be of significant benefit to the sugar producing countries of the Western Hemisphere. We have done this in full recognition that in the U.S. system of free enterprise it is free enterprise itself which must open the way to progress and expansion.

Let me briefly summarize my testimony:

First, let us recognize categorically that global quotas, whether arrived at immediately or tortuously over 5 years, and any recapture provision applicable to the Cuban reallocation, defy the successful history of the Sugar Act. Insofar as the Dominican Republic is concerned, the very making of these proposals by the administration jeopardizes the Dominicans' understandably unsteady steps toward achieving a sound democratic form of government. Let not this Government, as the Dominicans leave the jungle of despotism, make their course more difficult, if not impassable. Let us not be beguiled by economic theories that defy history and commonsense; let us act responsibly in

full recognition of the aspirations of the peoples in the Dominican Republic, indeed of all people to our south, in their hungry quest for economic improvement through supported self-help in an environment of progressive democracy.

Second, let us serve notice now in this legislation that where Alliance-for-Progress aid is suspended by reason of a recipient country failing to undertake proper self-help programs, the privilege to sell sugar in the U.S. market will also be suspended. Let the American citizen be assured that the privileges of both our aid, and of our trade in our preferential sugar market, are conditioned on the economically and politically sound premise that the benefits realized from both must be shared by all peoples.

Third, let us, for both selfish and unselfish reasons, always remember that the Western Hemisphere is the sugarbowl of the United States. Practical recognition of this fact can be secured by providing that our offshore sugar requirements be met from the Western Hemisphere and the Republic of the Philippines. This will benefit our consumers by assuring generally accessible high quality sugar; but it will also benefit our partners in President Kennedy's eloquently inspired Alianza para Progreso program.

Fourth, let us not handicap Puerto Rico, America's showcase of what inspired self-help can realize in a developing country, by attacking now its historical sugar quota position.

Fifth, let us, in maintaining the proven practice of the sugar quota system, not forget that the American tradition is to build on success, to look now to the future and to solve rationally and predictably the problems of the future. Let us seek new markets for sugar by encouraging the discovery and development of new industrial uses for sugar. Let us achieve this by providing for a new category of nonquota sugar for industrial uses to be available for supply from United States and Western Hemisphere sources.

Mr. Chairman, ladies and gentlemen of the committee, this concludes my testimony. I thank you for your indulgence and hold myself ready to answer, to the best of my ability, any questions you may have on any aspect of my testimony.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Debevoise. I would like to ask you a few questions.

First, as to the $22 million that was taken away pursuant to Government order—what happened to that $22 million—is it still in the hands of our Government? And before you answer that, I would like you to know that I know about it. Your associate, Mr. Surrey, communicated with me and I transmitted a letter to the executive branch, knowing that the executive branch had under consideration refunding that money. In effect, it is provided that we recognize the validity of the claim, but they prefer to give it back in aid rather than to make restitution. What is the situation at the moment with regard to the $22 million?

Mr. DEBEVOISE. Well, it is a very peculiar situation. If I could take a few minutes to just describe the original background of this.

We never felt that your committee authorized the tax. We went to court for $7 million—roughly $6,750,000.

The CHAIRMAN. That was your company's part of that sum?

Mr. DEBEVOISE. That was our company's part of the money. The case dragged out and it is still dragging out, but last December when I went down to the Dominican Republic—I usually go there with my wife over Christmas—the financial situation was dreadful. They had no sugar shipments. They had no molasses shipments. The only thing they were getting any money from was a few shipments that we were making of byproducts. No loan had been given to them by the United States as yet.

I came back. I guess we talked to Mr. Moscoso, for whom I have the highest respect, and he went down there about the middle of January. He conceived the idea of returning this money which, entirely aside from the legal aspect, it seemed to the Dominicans had been withheld by the administration, so that it would not fall into the hands of the Trujillo family, but that reason, obviously, was no longer valid. So he proposed to us that we accept the return of the money and that it would be a great help to the Dominicans if we would permit the United States to return the money to the Dominican Government where the dollars could be used to support the currency which was in great jeopardy, and that we would agree to take our share in pesos and apply it to programs such as housing, roadbuilding, and other programs, in accordance with the Alliance for Progress.

The CHAIRMAN. But you would have to pay back some of it to the Government in taxes.

Mr. DEBEVOISE. We would have about $3 million left after all payments to the farmers and in taxes. The Government would get more than half of it. Well, my board of directors, who are singularly flexible, believe me, discussed this at length and agreed to it.

When I was down there at the end of February—and you can bear in mind that we were just as anxious to support this Government that is in today, and against all of the facts of history they are still in there—with quite a good deal of effort we worked out a plan with the other privately owned Dominican companies, and with the junta. Mr. Surrey, I believe, had conversations with Mr. Moscoso's office to the effect that this money would be returned, we thought, through legislation.

The money, I believe, is in the general funds of the Treasury. I am sorry this is taking so long, but it does take a bit of time.

Nothing ever happened.

We told Mr. Cooley about it because it was, naturally, connected with the work of your committee. We could not understand why the administration did not go through with the return.

Obviously, since the United States had brought this subject up it has become of tremendous political significance to the Dominicans. They could not understand why the money was not coming down.

In the meantime, they had received a loan.

The next thing we heard was a rumor from Dominican officials that the United States had decided not to send the money down by legislation—that it was to go through aid to the Dominican Government who would spend it. Well, this we could not accept. You can imagine that our stockholders would have objected.

So we asked for an interview with several highly placed State Department officials, and after explaining to them the background of this matter, the fact that we were just as anxious as possible to support the Dominican junta, as they were, we knew the need for the money, we were willing to take ours in pesos, we were willing to spend it in the Dominican Republic for houses and roads, we would give up our lawsuit, et cetera. And the spokesman for the State Department—and I

had my lawyer with me, in fact, I had two lawyers—I did not feel safe with one lawyer—said:

> This is what you will do: If you wish to help this Government—you will withdraw your lawsuit and the Dominican Government will withdraw their lawsuit. The Dominican Government will then present the Alliance for Progress with a schedule of programs of social purposes. If approved we will send to the Dominican Government $23 million, of which you will get no part whatever, and none can be spent on your properties. If any houses are built you must give them the land—they will build the houses and for your people to use them—you must rent them.

Well, to us this was just like Trujillo who would hit us on the head and say, "If you do not do this, we will take your property from you."

So we said that we would not do it. I do not know what has happened to it since then.

The CHAIRMAN. Well now, in that connection somebody came from the State Department—and they, evidently, discussed this with you or somebody else—and they wanted to know what I felt was objectionable to it. I could only give them my opinion. And it was felt that it would come back to be forwarded to the country, but they came back with the proposition that they would do it by way of aid. They were wrong in taking it away from the Dominican people. They certainly penalized the Dominican people. And they have penalized your company; is that not true?

Mr. DEBEVOISE. Yes, sir. I forgot to say that to the Dominicans it seemed to mean an insult for them to get the $23 million through the Alliance for Progress, when they thought the money had simply been held in escrow until they got rid of Trujillo. Why did they not get the money back? Why should it come in the form of aid? They do not want it as aid.

The CHAIRMAN. The net result is that, as I see it, they confiscated your property.

Mr. DEBEVOISE. Nobody has the money, anyhow, except the U.S. Treasury.

The CHAIRMAN. Nobody has the money; that is right. That seems to be up in the air right now.

Mr. DEBEVOISE. Yes, sir.

The CHAIRMAN. I advised the State Department to look into the matter. And they came back with some information, and the next thing I learned was that discussions were being carried on whether it would be appropriate for them to receive it as aid, that is, the $22 million, to the Dominican Republic, if various lawsuits were withdrawn. So the whole thing seems to be pending.

Mr. POAGE. Will you yield?

The CHAIRMAN. Yes.

Mr. POAGE. What is the difference between that on the part of our Government and the confiscation in Brazil? I am asking what the difference is between the United States taking money that does not belong to it, and the Brazilians taking the property of the telephone company, which does not belong to them? It is confiscation in the United States the same as it is in Brazil.

The CHAIRMAN. I am sure that the president of the South Puerto Rico Sugar Co., feels that way.

Mr. DEBEVOISE. You will be amused by this, because we asked the State Department spokesman this question. We said, "Well now, suppose that the International Telephone Co. sues Brazil, will you withhold aid?" Because the implication was clear on the part of this gentleman—since withdrawn, I think—I do not know that he meant it, but the implication was clear that there would be no aid unless we did this, you see. We said, "In other words, would you withhold aid if there were a suit against the Government of Brazil?" And he said, "That is an entirely different case." He said, "This is different."

One of our lawyers spoke up and said, "Yes, this is different, until it becomes a precedent."

But to me it is exactly the same type of thing.

Mr. SURREY. I might say, Mr. Chairman, that we have prepared legislation in accordance with the original proposal that Mr. Moscoso made for the return of the $22 million to the Dominican Government so that they would get all of the dollars for the support of their currency. We would pay local taxes in pesos. And under our agreement and the agreement of the other Dominican companies we would use the net after taxes for building houses for our workers, building roads in the area, and to be used for programs worked out with the Dominican Government consistent with the Alliance for Progress programs.

The CHAIRMAN. That proposition is still pending; is it not?

Mr. SURREY. We have an agreement with the Dominican Government to use the pesos for that purpose when it is returned by special legislation.

And we have that legislation which is consistent with, I think, what Mr. Moscoso and his lawyers had in mind.

(The legislation referred to above follows:)

SECTION 408

Subsection 408(b) of the Sugar Act of 1948, as amended (relating to the suspension of quotas), is amended to insert the following new paragraph (4) at the end thereof:

"(4) The Congress welcomes the reestablishment of diplomatic relations with the Dominican Republic following the return of the Dominican Republic to the family of free nations and affirms it to be the policy of the United States to return an amount equivalent to certain benefits arising under this Act that were withheld during the Trujillo regime. Accordingly, there is hereby authorized to be appropriated to the President an amount equivalent to all sums collected through special fees on nonquota purchase sugar imported from the Dominican Republic between September 26, 1960, and March 31, 1961, which sums the President shall return to the Government of the Dominican Republic at such time as (1) the President has been notified by the Government of the Dominican Republic that all privately owned sugar companies which paid any such fees have entered into an agreement with the Government of the Dominican Republic to receive in Dominican currency their shares of such fees, after payments of Dominican taxes and amounts due Colonos, and to utilize such net amounts in a manner designed to further the economic or social development of the Dominican Republic; and (2) the President has been advised by the Department of Justice that steps have been taken to ensure that an equivalent amount of present or potential claims against the United States by the parties paying such fees are satisfied with no further liability to the United States."

The CHAIRMAN. Has anyone indicated to you that they would send up a bill of that kind for us to act on?

Mr. SURREY. They did originally prior to the visit you had from the State Department. We were asked to draft some legislation, which we did, but since then we have been advised that it will be returned, perhaps, through the Alliance. But the only proposal that has been made to us is that we withdraw our lawsuit and if we withdraw our lawsuit, that it would be returned through the Alliance, which the Dominicans do not want, and we would get no benefit out of it. We would give up our property rights, the lawsuit, for nothing.

The CHAIRMAN. Mr. Poage points out that unless they refund the money it is pure confiscation, because AID is something different and apart from that. I do not believe the Congress intended to penalize your company or to penalize the people of the Dominican Republic. I think they just wanted to withhold this money until Trujillo was out of there.

Mr. SURREY. There is a real problem for the present Council of State. The Dominican people have always considered that this money was being held in effect for them, to be returned after Trujillo left. They now find that this Council of State which was supported in the country and by the U.S. Government, is incapable of getting back the money that belongs to it. They do not want it through AID. They say that the United States has acted well in holding it as a trustee, but that the trustee seems to have acted beyond his trust capacity.

The CHAIRMAN. The proposition is that if you get it in AID it does not give you any relief?

Mr. SURREY. No, sir.

The CHAIRMAN. Your company loses the money?

Mr. SURREY. Yes, sir.

Mr. SHORT. Mr. Chairman, I have forgotten, and I am certain that some of the other members have forgotten, but would you enlighten us just briefly as to the circumstances as to how this $20 million happened to be withheld?

The CHAIRMAN. Mr. Surrey can do so.

Mr. SURREY. The legislation under which this was done provided that the President should reallocate the Cuban quota in accordance with the formula spelled out by this committee, and at such times as the sugar was needed, that is, at such times and under such conditions as when the United States needed the sugar, the Cuban quota would be reallocated in accordance with the quota system established by this committee.

The CHAIRMAN. Let me interrupt, that is to the full duty countries.

Mr. SURREY. The full duty countries of which the Dominican Republic was one.

When they reallocated this quota in 1960 and gave a share in accordance with the law to the Dominican Republic, in accordance with the basic quota, they imposed a 2-cent tax on the importation of that sugar, a fee of 2 cents a pound.

Mr. SHORT. This is the sugar——

Mr. SURREY. From the Dominican Republic.

Mr. SHORT. Above the Dominican quota?

Mr. SURREY. Above the basic quota, but within the Cuban reallocation formula set up by this committee.

Mr. SHORT. Above the basic quota?

Mr. SURREY. Yes.

Mr. POAGE. Do you mean that the President of the United States acting through the State Department imposed a tax without any act on the part of Congress of the United States which, as we read the Constitution, is the only agency of Government that can impose a tax?

Mr. SURREY. We read the Constitution the same way, sir. And we later brought suit. This tax was increased to 2¼ cents per pound on the reallocation of 1961.

Mr. DEBEVOISE. The first year.

Mr. SURREY. So that you have a total of, roughly, $22, $23 million that the executive branch imposed as a tax, an import duty, which we consider a congressional prerogative, on this sugar, with no language in the legislation ever referring to it—nothing in the hearings referring to it—and so far as we can see no consideration by this committee for imposing a tax on this sugar.

Mr. SHORT. No such tax was levied on purchases from any other country above their quota?

Mr. SURREY. No, sir.

Mr. SHORT. Thank you.

Mr. TEAGUE of California. Another side of this which seems to be an impossible situation. I do not think that legislation would be necessary. Would it be appropriate for us to ask the Secretary of State, or, at least one of the thousands of high officials over there to do something about it?

Mr. POAGE. We did, of a man who has not been there but 3 weeks. [Laughter.]

The CHAIRMAN. It is just this simple: here is an American company in a country where they are getting rid of a demagog and the property is confiscated by our government. They put a tax on it.

Mr. TEAGUE of California. If these gentlemen are correct—it sounds to me as they are—I would not think that they would have to go to a long, drawnout legislative process to get relief.

Mr. SURREY. The difficulty, Mr. Teague, is that this money has now gone into the general receipts of the Treasury.

Mr. DEBEVOISE. It is hard to get it out.

Mr. SURREY. We need your help to get it out.

Mr. SHORT. It is not difficult to get it for some other purposes.

Mr. DEBEVOISE. We pointed that out.

Mr. HOEVEN. Do I understand that you paid the tax?

Mr. SURREY. Yes, sir.

Mr. DEBEVOISE. We were not allowed to bring the sugar in until we presented a certified check.

Mr. HOEVEN. The tax was not imposed legally and I concur with your views. But you paid the tax?

Mr. SURREY. Under protest.

Mr. HOEVEN. Why did you pay the tax—why did you not take the matter to court?

Mr. SURREY. We were required, sir, under the Dominican law, to ship the sugar.

Mr. HOEVEN. Another blackjack operation?

Mr. SURREY. We had no choice in this, the sugar had to be shipped under the Dominican law. Otherwise we would be subject to extreme penalties. The only thing we could do was with every payment we filed a protest and refused to issue a check. The sugar was not allowed

entry. We then filed the check under protest and wrote a followup letter of protest. And we are out $7 million.

The CHAIRMAN. You discussed the lawsuit. But you still have to have legislation to receive the money to pay the bill, is that right?

Mr. SURREY. That is correct. It will have to come up for an appropriation. This will solve nothing politically for the Dominicans to have to win it with a lawsuit.

Mr. SHORT. Is it true that this action that was taken by the State Department—and I am not trying to justify it—was this action taken to some degree as a result of some policy position that was taken by the Organization of American States?

Mr. DEBEVOISE. I think, Mr. Short, that we have two sides to this question. One, let us forget the legal side which, of course, we had to sue on, obviously, because we represent our stockholders.

Then there was the other side where the administration, President Eisenhower, decided the Trujillo was no longer, that is, the Dominican Republic was no longer a good member of the OAS and that this money should be kept out of the hands of the Trujillos and with this we do not disagree.

Mr. SHORT. That is an important aspect of this?

Mr. DEBEVOISE. Yes, but we say today that the whole reason has been removed. We made an agreement with them to take it in pesos. I do not know how you can make it more beneficial for the Dominicans than by taking it in pesos, using it in the Dominican Republic allowing them to have dollars to support the Dominican pesos. Back in January, for example, it would have been a godsend to the Dominicans. Today it is a political crisis down there, because we brought it up—not us, but the Alliance for Progress officials brought it up, and the Dominicans believe that was official, and then they dropped it. So that all reasons for it being withheld today disappeared entirely, aside from the legal aspects.

Mr. SHORT. Was this some sort of economic sanction that was, perhaps, recommended by the OAS?

Mr. SURREY. This is not——

Mr. DEBEVOISE. Our quota was cut off entirely. You will remember that you passed a bill authorizing the President not to buy sugar from countries with which we had no diplomatic relations, so that after the first quarter of 1961 we had no further U.S. quota, beyond a small basic quota, until January 1 of this year.

Mr. SURREY. That is correct.

Mr. DEBEVOISE. When sanctions went in we had sanctions on us. We had only a small U.S. basic quota, but this was prior to that, and we did not share in the Cuban reallocation.

Mrs. MAY. Will you yield?

Mr. SHORT. Yes.

The CHAIRMAN. Go ahead, Mrs. May.

Mrs. MAY. When were you allowed again to ship sugar, in 1961, did you say?

Mr. SURREY. It was in 1962.

Mr. DEBEVOISE. This year.

Mrs. MAY. Was the tax again reimposed?

Mr. SURREY. No, Mrs. May; it was not.

Mr. DEBEVOISE. It was never mentioned.

The CHAIRMAN. As I understand it, you are not complaining about the legal action taken which withheld the money, but you are complaining that the money has not been refunded?

Mr. DEBEVOISE. That is right. We will drop our suit as we have said to them providing they will return the money to the Dominican Republic.

The CHAIRMAN. And to spend it in the form of houses and other such improvements?

Mr. SURREY. Our company will get no dollars out of it whatsoever.

The CHAIRMAN. Are there any further questions?

Mr. HOEVEN. You say that there is an interim government in the Dominican Republic at this time?

Mr. DEBEVOISE. Yes.

Mr. HOEVEN. You have a Council of State consisting of seven individuals. Is that a coalition government of some kind or are they all dedicated to the free system of government?

Mr. DEBEVOISE. I would say, Mr. Hoeven—and I have met nearly all of them—that I have never met a harder working, more democratic group of men. They are so democratic that it hurts. Anybody can call up the office of one of them and ask about a cow, as happened one day when I was in the office of one of them. This woman called up. She had lost a cow. He spent 20 minutes on the phone about the cow with her.

They are dedicated to all that you and I like. They are dedicated to tax reforms, to land reforms. We agree with them on all of these things. We want to help them. I do not think you will ever get a better group of representatives. None of them are eligible for the Presidency. Today it is difficult to pick a candidate. It is not a big country. They have had many years of despotism.

I would say that this group represents remarkably the forces that we like and want.

Mr. HOEVEN. You consider this to be a stable government, do you?

Mr. DEBEVOISE. It will not be stable if this legislation passes, that which is proposed by the administration.

The CHAIRMAN. If this administration refuses to refund that money, what effect will it have on the Council of State?

Mr. DEBEVOISE. President Bonelli, a very fine man, made a statement on the 16th of May in which he said—and I have a translation here—that the sugar industry had made substantial increases of salaries and that if this legislation were passed it would be ruinous, that they would have to close the sugar mills. He said this last possibility would increase the economic misery of the country since sugar is our principal source of income. He has the confidence of the people, as does his group. I would say that this government would fall.

The CHAIRMAN. The point I am trying to make is that you advised us that you have increased wages and you are now ready to go, but that you cannot possibly sell that sugar on the world market——

Mr. DEBEVOISE. That is right, sir.

The CHAIRMAN (continuing). And stay in business. I am talking about what effect would our continuing to withhold the $22 million have on the Council of State? As I understand it, they have an interim government. They presented a meritorious claim, and it should be paid. If we refuse to pay it and offer them a little charity, what effect do you think that will have on them?

Mr. DEBEVOISE. I think you will hurt their position greatly. When I was down there in May, the second party came out on the radio—and this is the party that they are worried about headed by a fellow named Juan Bosch, which stated that they were for the nationalization of the sugar industry; they were for the nationalization of banks; they were not for any U.S. investments or any foreign investments, if possible; and they were for all of the land to go to the people right away. About as far left as you could get.

If you do not return this money, I think that you will just make it that much harder for the present government—they may stay in, but you could give them a big step upward.

Mr. SURREY. When the Alliance team was down there, the Dominicans advised them that they considered the return of the $22 million more important than any Alliance program, just as they consider both the return of the $22 million and a proper sugar quota more important than the Alliance help, because that would come too late, and this is a political issue there.

Articles are written in the newspapers. People are talking about, "Our money is held by the United States. Was it taken to benefit the United States or merely to hold it back from Trujillo?"

The CHAIRMAN. Are there any further questions? If not, thank you very much.

Mr. TEAGUE of California. I would like to know what has happened to that lost cow. I received a letter this morning wherein this lady stated that she has 150 head of cattle which have been rustled and has asked me to find the rustlers. [Laughter.]

The CHAIRMAN. We will next hear from Mr. Robert L. Farrington on behalf of the Republic of China.

We will be glad to hear you now.

STATEMENT OF ROBERT L. FARRINGTON, ON BEHALF OF THE REPUBLIC OF CHINA

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Robert L. Farrington, 411 Colorado Building, Washington, D.C. I am appearing today in the interests of the Republic of China, one of the foreign countries which is privileged to participate in the U.S. sugar market.

The Republic is deeply grateful to the United States, and particularly to this committee, the State Department, and the Department of Agriculture for this participation. I hope to present some facts, however, which will show justification for increased reliance upon China as a dependable source of sugar supply for the United States.

China recognizes, of course, that determination of the portion of the U.S. sugar needs to be supplied by domestic growers is a matter to be determined entirely by those domestic growers and the U.S. Government. However, as a long-standing friend of the United States and as the fourth largest producer and exporter of sugar among the countries participating in the U.S. Sugar Act, it is submitted that China may respectfully raise a point about inequities in the formula for dividing up the total foreign quotas among the several foreign countries involved. Those inequities were present in the 1948 act.

as amended, and they are a part of the proposed bill before this committee.

It will be noted from the table attached to this statement as exhibit "A" that based upon the 4-year average, 1957–60, the years, for which the 1956 amendment to the Sugar Act was effective, China ranks only behind Cuba, Mexico, and the Philippines as a sugar producer. Based upon total exports, China ranks only behind Cuba, the Philippines, and the Dominican Republic; yet in its share of the U.S. sugar market as determined by the formula in the Sugar Act of 1948, as amended, the Republic of China is far down on the list.

If you will just look at this table, you will note that the line that is drawn on this chart shows where China stands in the area of average sugar production, average net exports, U.S. quota at 9.4 million consumption, under the 1956 act, and where it stands in the share of the total net exports in the U.S. market.

To be more specific, the table shows that five countries which produce less sugar than China have quotas higher than the Republic. When it comes to total exports of sugar, which may be a better indicator of reliability as a source of supply than production, there are again five countries which have quotas larger than the Republic of China.

It is not the desire of my client, nor my own desire, to disturb the quotas allotted to any other country, so I shall not discuss the table further unless there are questions.

China's basic quota under the 1948 act is 3,000 short tons, raw value, when total U.S. quotas are 8,350,000 tons, plus 0.0594 percent of the total quota in excess of 8,350,000 tons. Under this formula, the basic quota for the calendar year 1961 was 3,980 short tons, and for the first 6 months of 1962 it was 1901 short tons.

Technicians tell me that the formula in section 202(3)(A) of H.R. 11730 would produce about the same result.

The Republic is appreciative of the fact that under the discretionary authority provided in the 1948 Act, the Secretary of Agriculture, undoubtedly with the concurrence of the Secretary of State, made additional allocations to China increasing its authorized imports into the United States up to 170,028 short tons for 1961, and 54,059 short tons for the first 6 months of 1962. This increased tonnage has been of great help to the Republic; it is most grateful for this additional market for its sugar at a fair price.

When the draft that became H.R. 11730 was pending in the executive departments, we asked that consideration be given to authorization in the proposed legislation of a basic annual quota for China of 300,000 tons. It appeared that a quota in that amount was fully justified in view of China's relative standing both as a sugar producer and as a sugar exporter. It appeared also that there was ample margin in the unallotted portion of U.S. needs to be furnished by foreign countries for a quota to China in that amount. As is evident from the bill, that request was not granted.

If this committee decides to reject the global quota plan and provide quotas for the individual countries, it is respectfully requested that an annual quota of 300,000 tons be provided for the Republic of China.

I may say, based on the population, that China has been increasing in population. The last few days, according to the newspapers, there has been a flood of refugees from Red China into the island of Taiwan, so that we might ask for a larger quota.

When we talk about sugar production in the Republic of China, we are referring, of course, to the island of Taiwan, the principal area of agricultural and industrial production for the Republic at the present time.

Taiwan has a land area of 13,835 square miles, a little over two and one-half times the size of Connecticut. It had a population of 10,792,000 at the end of 1960, about four times that of Connecticut.

The agricultural population is 4,795,000. About 50 percent of the sugarcane farms is owned by the growers and these farms consist, on the average, of eight-tenths of an acre. The average family is about six persons.

Sugar is Taiwan's most important crop. Approximately 1.2 million people depend upon it for a livelihood, and exchange earnings from sugar exports amount to aroud $75 million annually—approximately 45.4 percent of total exports.

Around 80 percent of the sugar is exported, mostly to Taiwan's traditional markets in the mideast and southeast Asian countries where Taiwan is now faced with relentless economic warfare from the Communists, due primarily to Cuban sugar.

The sugar sold in that market is sold at world prices which, as Mr. Kemp noted in his statement to this committee on May 15, does not reflect "the actual value of the sugar."

Moreover, there is evidence Cuban sugar is going into this market as was anticipated in the special study on sugar made by the Department of Agriculture, February 14, 1961, for the House Committee on Agriculture, pages 1 and 2.

A larger volume of sugar purchases by the United States from China would also be helpful on China's balance of trade with the United States and should reduce the amount of economic aid that China receives from our Government.

For example, the trade balance between the countries for 1960 and the first 6 months of 1961 was as follows:

	1960	January-June
Imports from the United States of America	$96, 980, 000	$58, 681, 000
Exports to the United States of America	21, 199, 000	15, 527, 000
Total	75, 781, 000	43, 154, 000
Less economic aid from United States of America	59, 006, 000	39, 301, 000
Balance in favor of United States of America	16, 776, 000	3, 853, 000

It will be noted from the above that the Republic of China has been importing more goods from the United States than it is exporting to the United States.

Some of the imports to China were commodities under Public Law 480, thus here would have been a greater balance in favor of the United States if these commodities had been paid for in cash. A greater reliance upon China by the United States as a source of sugar supply would help tremendously in adjusting this trade balance.

Mr. Chairman, I have enjoyed the opportunity of appearing before this committee again. If there are questions I shall do my best to answer them.

(The chart entitled "Exhibit A" follows:)

EXHIBIT A

STANDING OF PRINCIPAL SUGAR EXPORTING FOREIGN COUNTRIES WITH RESPECT TO (1) SUGAR PRODUCTION: (2) NET EXPORTS: (3) U. S. QUOTA AT 9.4 LEVEL, AND (4) U. S. QUOTAS AS A PERCENT OF NET EXPORTS.

	(1) AVERAGE SUGAR PRODUCTION 1957 - 1960 Inclusive In short tons		(2) AVERAGE NET EXPORTS 1957 - 1960 Inclusive In short tons		(3) US QUOTA AT 9.4 Million Consumption Level (US Sugar Act as Amended 1956) In short tons		(4) SHARE OF US MARKET AS % of TOTAL NET EXPORTS	
(1)	Cuba	6,415,814	Cuba	5,931,752	Cuba	3,119,655	Netherlands	Net Importer
(2)	Mexico	1,471,611	P.I.	1,102,129	P.I.	980,000	P.I.	88.92
(3)	P.I.	1,437,030	Dom. Rep.	903,594	Peru	95,257	Panama	87.93
(4)	China	1,000,639	China	889,058	Dom. Rep.	81,457	Costa Rica	68.96
(5)	Dom. Rep.	990,415	Peru	528,956	Mexico	64,809	Nicaraqua	61.64
(6)	Peru	790,921	Mexico	237,095	Nicaraqua	14,027	Cuba	52.59
(7)	Netherlands	587,878	Nicaraqua	22,756	Haiti	7,014	Haiti	37.93
(8)	Nicaraqua	63,119	Haiti	18,491	Netherlands	3,660	Mexico	27.33
(9)	Haiti	57,852	Costa Rica	5,242	Panama	3,624	Peru	18.01
(10)	Costa Rica	50,706	Panama	4,121	China	3,624	Dom. Rep.	9.02
(11)	Panama	25,518	Netherlands	-183,769	Costa Rica	3,615	China	0.04

NOTE: China's share of Non-quota
1960 - 6,258 short tons
1961 - 166,048 short tons
1962 - 52,158 short tons

The CHAIRMAN. Thank you very much, Mr. Farrington, for your statement. Your statement points up the fact that China is the fourth largest producer of sugar?

Mr. FARRINGTON. That is right.

The CHAIRMAN. I am certain that this committee respects you very highly and that your statement will be given every consideration.

Mr. FARRINGTON. Thank you.

The CHAIRMAN. Are there any questions?

Mr. SHORT. Mr. Farrington, on the first page of your statement you say that—

China may respectfully raise a point about inequities in the formula for dividing up the total foreign quotas among the several foreign countries involved.

Mr. FARRINGTON. Yes, sir.

Mr. SHORT. I believe you go on further and indicate that China has not been treated equitably so far as the other countries supplying sugar to the United States are concerned?

Mr. FARRINGTON. Well, my point is to look back again at the table, Mr. Short. China's quota is very, very low in relation to both its sugar producing and exporting ability.

Mr. SHORT. It seems to me that China has been treated rather generously in the allocation of sugar purchases by the United States, that is, the sugar imported by the United States in relation to the Chinese quota. In 1960, as compared to 1961, it was increased about 17 times. And this despite any increases extended to any other countries.

Mr. FARRINGTON. My point is, Mr. Short, that the quota was too low to start with.

Mr. SHORT. I suppose that practically any sugar-producing country in the world can to some degree offer the same argument. Certainly, I have no quarrel about being as generous as we possibly can be with the Republic of China, but we also have to some degree, I think, the same relationship with some other countries around the world. I did not want the inference left here, in view of the fact that the United States has been rather, what shall I say, overgenerous with some of the other producing countries, to the detriment of the Republic of China, whereas we have been far more generous proportionately with China than with any other country.

Mr. FARRINGTON. Well, if you will look on this chart, at column 3 of exhibit A you will see that China's quota was second to the bottom of the list in the Sugar Act.

Our whole point is; that is, I mean take China's production and its export exchanges into account, it should have had a larger quota to start with. That was adjusted by administrative action to a considerable extent, as you know, but in this act, in the present act, the quota is only about 2,000 tons higher, I believe, than it would have been under the act here. What we are hoping is to get it up where it stands on a pro rata basis with other countries based on the sugar production and export capability.

Mr. SHORT. The quota in 1960 was 10,476 tons, and in 1961 it was 170,000-some-odd tons, which is an increase of some 17 times.

Mr. FARRINGTON. That was due to administrative allocation, sir.

Mr. SHORT. It seems to me that this is rather generous. I am not complaining about it. I am trying to get the record straight.

Mr. FARRINGTON. But that was just 2 years out of a longtime operation.

Mr. SHORT. What are the anticipated purchases for 1962?

Mr. FARRINGTON. I have with me Mr. Bao, who is a sugar expert for the Republic of China. May I ask him to come forward and answer your question?

Mr. SHORT. I will ask him that one question.

STATEMENT OF SANDYS BAO, DIRECTOR, DIVISION FOR TAIWAN SUGAR CORP., CHINESE GOVERNMENT PROCUREMENT AND SERVICES MISSION

Mr. BAO. Mr. Chairman and sir, I wish to refer at this point to the point that you made about the generosity of this Government with reference to the export of sugar during the nonquota period. We are most grateful for that. You have been generous.

The point we are making in the statement is purely in reference to the permanency of our country with reference to the export of sugar. We are not referring to the temporary allotment of sugar, because we thought that was not on a permanent basis. We may not have it next year or the next year after that.

The next question you were asking is what we were expecting to export to this country for the year 1962. So far the record has been 54,000 for the first 6 months of this year. What will become of the remaining 6 months of this year is unknown to us and we cannot make any predictions.

Mr. SHORT. Thank you.

Mr. HARVEY. I have one question. In your table, Mr. Farrington, on page 5, I think you have left the inference that if the quota for the Republic of China were to be augmented that it would automatically lessen the need for grants-in-aid. Is that correct?

Mr. FARRINGTON. I think that follows, assuming substantially the same circumstances as of today; yes, sir.

Mr. HARVEY. In other words, you do not expect us to give more grants to the Republic?

Mr. FARRINGTON. That is correct. The more business we can do with the United States the less we have to spend on aid.

Mr. HARVEY. To me that makes sense. Thank you.

The CHAIRMAN. Thank you.

Mr. FARRINGTON. Thank you.

The CHAIRMAN. Our next witness is Mr. Charles H. Brown.

We shall appreciate hearing from you now.

STATEMENT OF CHARLES H. BROWN, ON BEHALF OF THE SUGAR INDUSTRY OF FIJI; ACCOMPANIED BY L. A. MALLAM

Mr. BROWN. Mr. Chairman and members of the committee, I appreciate this opportunity to be back in this room with this very fine committee. I tried to serve on this committee for 4 years while I was here. I think that the American consumers and the American farmers owe you a tremendous debt of gratitude for what you have done to help American agriculture and to preserve consumer prices.

Mr. Chairman, I appear here today on behalf of the sugar industry of Fiji, a little country, a very important country in the South Pacific, which is currently supplying sugar to the United States.

First, may I convey to this distinguished committee and, through you, to the people of the United States, Fiji's deep gratitude for the 5,000-ton U.S. sugar allocation which Fiji received in the first half of 1962.

This allocation has been a front page event in little Fiji, because it is Fiji's first entry into this important market since World War II. During the war, she supplied some 60,000 tons of sugar to the American people at home and substantial quantities to men of the U.S. Armed Forces.

The 12,695 independent cane farmers of Fiji have the capacity and a record of production to insure supplying up to 70,000 short tons of sugar to the United States annually without having to undertake new capital expenditures in either field or factory.

Under the International Sugar Agreement of 1953 and the Commonwealth Sugar Agreement of 1951, Fiji's sugar exports have been limited to 184,000 long tons, Fiji's local consumption of sugar is 15,000 long tons.

Fiji has proved that her cane lands can produce and her mills are capable of handling 280,000 long tons of sugar annually—roughly 80,000 long tons in excess of present outlets.

Fiji is a group of about 322 islands—95 inhabited—approximately 2,700 miles west of Hawaii, 1,800 miles east of Australia, and 1,200 miles north of New Zealand.

Fiji is approximately 3,000 miles closer to the U.S. east coast sugar refineries than the Philippines and Taiwan.

In the words of Prof. K. B. Cumberland, M.A. D. Sc., professor of geography at Auckland University:

> Fiji is to the Southwest Pacific and to Australia what Hawaii is to the North Pacific and to the North American Continent. Like Hawaii, Fiji is a considerable source of tropical produce, a market for manufactured goods and processed foodstuff, first stop on transpacific journeys by either Skymaster or passenger ship, strategic outpost, advanced airbase, and winter tourist resort.
>
> Jut as traffic for North America diverges at Honolulu for Vancouver, Seattle, San Francisco, and Los Angeles, so traffic for Australia and New Zealand diverges at Nandi and Suva. Excluding only Hawaii—

the professor says;

> Fiji is economically the most important island group in the Pacific world as here defined.

The population of Fiji was 374,284 people at the end of 1958, consisting of 2.4 percent Europeans; 97.6 Fijians, Indians, Chinese, and other Pacific races.

There have long been strong bonds of friendship between the United States and Fiji. American GI's and Fijians have fought side by side in many historic battles—Guadalcanal, Bougainville, the Solomons, and others. In World War II, Fiji became a separate island command under the Americans, commanded by Maj. Gen. C. F. Thompson, and all Fiji forces came under him for operations. The port facilities of Suva were a revictualing base for the Anzac naval force and for American convoys carrying men and supplies to Pacific garrisons.

In 1954–56, Fiji supplied troops for SEATO operations against the terrorists in Malaya. The Fijians are loyal friends and allies of the United States and the free world.

Fiji and the United States have enjoyed uninterrupted trade relations for many decades. In total trade, Fiji consistently purchases two to four times as much from the United States as the United States buys from Fiji. Naturally, Fiji's total trade is extremely small—comparable to that of a small city in the United States; but Fiji buys all she can from us with the limited dollars she has. Principal purchases are tobacco, aircraft supplies, lubricating oils, and photographic equipment.

Over 99 percent of the tobacco purchased by Fiji is American leaf. In fact, Fiji's per capita imports of U.S. tobacco compare favorably with America's best customers. All Fiji purchases from the United States are for cash dollars—no Public Law 480 purchases.

In April of this year, Fiji signed a letter of agreement with the United States to purchase some 4,000 tons of brown rice from this country, for dollars. A first shipment has already been milled and sold by Rewa Rice Mills, Ltd., in Nausori, Fiji; and I am happy to report to this committee that the Fijian rice millers are pleased, indeed, with the quality, the yield, and the consumer acceptance of U.S. rice in Fiji.

And this is very important: Under the ANZUS Pact, the United States shares responsibility for the defense of Fiji with ANZUS partners, Australia, and New Zealand. Fiji's airports, harbors, and facilities are important to the United States and the free world, militarily.

And sugar is the foundation of Fiji's economic stability. Fiji seeks trade, not aid.

She has never sought or received AID grants or loans. All she asks is a chance to sell some sugar in the U.S. market.

She received that chance this year for which she is grateful, and she would like to continue in this market.

And I submit, Mr. Chairman, with the United States deeply committed in the Pacific and in Asia, it is my honest opinion that we must, in our self-interest, permit Fiji to sell sugar in the United States for this one reason, if for no other: Sales of raw sugar to the United States will help to insure the economic and political stability of these islands which have in the past and may again prove vital to free world security.

Now a little bit about the sugar production in the Fiji's:

In contrast with the system of plantation or estate farming of sugarcane predominant in most tropical countries, cane is grown in Fiji by individual risk-taking farmers (family farmers) who depend on the earnings from their cane production for their livelihood. The average holding is about 9 acres.

The following improved farming techniques have been introduced to improve production from existing cane lands in the last decade:

(*a*) A more intensive crop rotation system (cropping each year a greater proportion than before of the cane farmlands).

(*b*) New canes giving higher yields per acre.

(*c*) Better and wider use of fertilizers.

(*d*) Improved agricultural practice (for example, drainage and improved control of disease in cane).

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There have also been major improvements in factory techniques and equipment. That is more fully covered by the appendix.

The result of this improved industry efficiency was that in the 1959 crop year, Fiji produced a record qauntity of 283,000 long tons of raw sugar from 2,447,250 tons of cane harvested.

The huge production in 1959 meant that a large quantity of sugar (about 100,000 tons) was carried over into 1960 and necessitated a reduction in production to a figure consistent with market requirements and appropriate stock levels.

Fiji illustrated in the 1959 season that her cane lands can produce and the mills can handle at least 280,000 tons of sugar—some 80,000 more tons than present customers can regularly absorb at economic prices.

Right on that subject, this little country must get a fair price for its sugar; and a fair price is certainly above the current world market level. If the proposed bill, H.R. 11730, as presently written should become law, this incongruous situation could arise: Little Fiji could sell a cargo of sugar in the United States, and part of the purchase price (the proceeds) would be impounded and could well be given to the economic development of some larger, more advanced country in another part of the world, according to the language of H.R. 11730.

In making application for a basic quota to supply raw sugar to the United States, Fiji respectfully directs your attention to the following considerations:

(1) Fiji is an efficient and dependable source for sugar, with the capacity, the experience, the production records over a long period of years to assure U.S. refineries the quality of raw sugar they want, and when they want it.

(2) Fiji can supply the United States with up to 70,000 short tons of raw sugar annually without incurring new capital expenditure in field or factory.

(3) Fiji has political stability and a long record of friendly trade relations with the United States.

(4) Since the United States already shares responsibility for the defense of Fiji under the ANZUS Pact, it would be logical for these two countries to continue to expand their trade relations in sugar, the commodity which supports Fiji's whole economic structure.

In light of these factors, the sugar industry of Fiji will deeply appreciate your serious consideration of a basic U.S. sugar quota for Fiji; and we have every confidence that this great committee will be fair and just in its consideration of this request.

(Statistical information follows:)

FIJI SUGAR INDUSTRY DATA

(A) Area of cane lands, 1949–61

Year:	*Area of cane lands*	Year—Continued	*Area of cane lands*
1949	93, 511	1956	115, 654
1950	93, 205	1957	123, 986
1951	96, 006	1958	128, 863
1952	101, 526	1959	136, 865
1953	104, 163	1960	127, 084
1954	108, 726	1961	127, 841
1955	110, 854		

(B) Number of cane growers and average areas cultivated, 1949–61

Year	Number of growers	Average area cultivated per farm	Year	Number of growers	Average area cutivated per farm
1949	9, 038	10. 0	1956	12, 079	9. 3
1950	9, 246	9. 8	1957	13, 230	9. 1
1951	9, 105	10. 2	1958	13, 720	9. 2
1952	9, 628	10. 2	1959	14, 270	9. 4
1953	10, 355	9. 8	1960	12, 592	9. 9
1954	11, 457	9. 2	1961	12, 695	9. 9
1955	11, 709	9. 2			

(C) Average tons cane crushed per week at Fiji mills in 1949 and 1958

Year	Mills			
	Rarawai	Labasa	Lautoka	Penang
1949	11, 894	5, 619	20, 025	3, 091
1958	15, 134	7, 832	24, 147	4, 413
Percent increase	27	39	21	46

Source: South Pacific Sugar Mills, Ltd., records.

The CHAIRMAN. I assure you, Mr. Brown, that we will give every consideration to the statement you have submitted. We have a high regard for you in this committee. We regret that you did not have the pleasure of serving on this great Committee of Agriculture.

Are there any questions?

Mr. BREEDING. What is your quota now?

Mr. BROWN. We have a 5,000 nonquota allocation.

Mr. BREEDING. And you are asking for how much?

Mr. BROWN. We do not have any quota.

Mr. BREEDING. What are you asking for?

Mr. BROWN. Well, we are asking for whatever the United States will buy. We have said that we can supply 70,000 tons. We are hopeful that you will buy as much of it as you can.

Mr. BREEDING. Who do the Fiji Islands belong to?

Mr. BROWN. The Fiji Islands are part of the United Kingdom. They are a British colony of which the United States has assumed a

share of the responsibility for their military security. It is vital to the United States and the free world.

Mr. BREEDING. Are these privately owned farms?

Mr. BROWN. Yes, they are. The land that is held in fee simple, as we know it in this country, is privately owned, and farmed by the individuals who own them. Some of the land, Mr. Breeding, is owned still by the Fijian government under the terms of the Fiji chiefs cession to the United Kingdom, but that land is leased to the individual farmers on long-term leases of 20, 40, 99 years. They practically own the land. There is no sharecropping, no landlord estates of that type. They farm their own land.

Mr. BREEDING. I want to compliment you on your testimony. I think it was well presented. That is all.

Mr. BROWN. Thank you.

Mrs. MAY. Following Mr. Breedings' question as to who own the land, who owns the mills down there?

Mr. BROWN. The mills are owned by private companies, the South Pacific Sugar Mills, Ltd.

Mrs. MAY. That is a British firm?

Mr. BROWN. No, it is not. Many of the stockholders are Fijians. Many of the stockholders are Australians. It is a private corporation. It is not a British company.

Mrs. MAY. And they contract with farmers?

Mr. BROWN. They hold open hearings and sign a long-term agreement. We just did this last month—they signed for 8 years an agreement which shows that the producers will get, that is, the growers will get, roughly, 60 percent of the gross proceeds from the sugar and some 10 percent goes for sales, for marketing, and the rest of it is for storage and shipping and manufacturing. They all sit down and agree.

Incidentally, 99.7 percent of the growers have already signed the new agreement.

Mrs. MAY. They have a stable income as a result?

Mr. BROWN. Yes, they do.

Mrs. MAY. Thank you.

The CHAIRMAN Thank you very much, Mr. Brown.

The committee stands adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 12:10 p.m., the committee was recessed, to reconvene at 10 a.m., Thursday, May 24, 1962.)

SUGAR

THURSDAY, MAY 24, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 11 a.m., pursuant to recess, in room 1310, New House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Gathings, Abernethy, Jones of Missouri, Hagen of California, Jennings, Matthews, Breeding, Hagan of Georgia, Purcell, Hoeven, Dague, McIntire, Teague of California, Short, Mrs. May, Latta, Harvey, Findley, Dole, and Beermann.

Also present: Christine S. Gallagher, clerk; Hyde Murray, assistant clerk; John J. Heimburger, counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will be in order, please.

I first want to recognize our colleague, Mr. Bray.

STATEMENT OF HON. WILLIAM G. BRAY, A REPRESENTATIVE IN IN CONGRESS FROM THE STATE OF INDIANA

Mr. BRAY. Mr. Chairman and members of the committee, I am strongly in favor of the proposal to increase the domestic sugar allotment, as I believe was testified to by Mr. Charles Schenck of Indiana.

I would like to introduce into the record my further statement.

The CHAIRMAN. Without objection that may be included in the record at this point.

(The prepared statement of Hon. William G. Bray follows:)

STATEMENT OF HON. WILLIAM G. BRAY A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

I want to endorse the proposal that the sugar bill provide that all of the annual growth in sugar requirements above 9,700,000 tons (the growth factor) be retained for the domestic beet and mainland cane growers, to be divided 75 percent beets and 25 percent cane and that new growing areas be granted annually—85,000 tons or such acreage as would yield 85,000 tons of sugar.

Increased reliance on domestic sugar production will serve a number of useful purposes. It will give us a steady, reliable supply of sugar, free from the uncertainties of dependence upon other nations.

It will be an additional source of income to our farmers, and generally will give them a satisfactory return for their labor—more reliable than many other crops.

If we allow new areas to grow this sugar, we will be removing some of the surplus agriculture products which have caused such big problems to our farmers, our consumers, and our government. If land can be taken out of the pro-

duction of grains such as corn or soybeans, and turned instead to the production of sugar, we will be helping to relieve the surplus production of these commodities.

Such production will give new farm and service labor employment. The need to find new employment opportunities is very evident to us all.

I am especially interested in the importance of allowing us to raise sugarbeets in our great Wabash Valley. This fertile valley is especially equipped to grow sugarbeets. The thousands of acres which could be diverted to this purpose would bring to the farmers participating an excellent income and would remove these acres from the production of grains now in surplus. It is the utilization of additional crops such as sugarbeets that will most effectively solve our agricultural problems.

Furthermore, to the extent that we can replace imported sugar with domestic sugar we can relieve that need for sending gold abroad. The problem of our balance of payments has grown increasingly severe; and here is an area in which we need not be dependent upon foreign production, but can assume this production ourselves.

This proposal is good commonsense. It will help the farmers, business, and labor in the Wabash Valley and will help all America.

I urge the committee to give this proposal earnest consideration, which I believe will lead to favorable action.

Mr. SHORT. I would like at this time to ask permission to insert into the record a statement from my colleague, Mr. Nygaard.

The CHAIRMAN. Without objection, you may insert that in the record at this point.

(The statement of Hon. Hjalmar C. Nygaard follows:)

STATEMENT OF HON. HJALMAR C. NYGAARD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, the economy of North Dakota has traditionally depended on agriculture for up to 90 percent of its income. At this moment North Dakota is planting 3.8 million acres less than in 1932. At that time wheat made up nearly 40 percent of the State's income. Many States that have reduced wheat acreage during the years have managed to replace this loss with other cash crops. In North Dakota with its predominantly dryland farming, this has been hard to do. The contribution of the sugarbeet industry to the State's economy has therefore been most healthy.

The fertile Red River Valley of eastern North Dakota is one of the Nation's finest agricultural areas. The combination of soils and climate produce beets with an exceptionally high sugar content. To bolster its economy, North Dakota needs growth in the beet industry. Sugarbeets have been a welcome addition to farm incomes, and an increase in acreage would benefit the State in many ways.

It has been the common problem of efficient growers that their crop would soon be in surplus. The farmer has faced increasing difficulties as more and more of the crops he produces have been added to surplus lists. Sugarbeets, however, have been different. There is no surplus in this crop. As a matter of fact, the domestic growers supply only about one-half of the Nation's needs. Many North Dakota farmers are in a position to expand their operations, while many others are willing to discontinue growing crops that are in surplus and start growing sugarbeets. They need only be given the opportunity to realize this potential.

A point that has been stressed again and again is important enough to be mentioned here. We must remember that sugarbeets require a strict rotation with alternate summer fallowing between crops. Thus, every acre of land put into sugarbeet production effectively takes out of production 2 acres of land.

With international relations in their present precarious state, we must consider the importance to our national defense of a healthy sugar industry. Our foreign sources of supply could disappear overnight as they did in the Cuban situation. In the event of national emergency, our sugar industry could not be asked to assume the burden of supplying the entire country without adequate preparation.

Sugarbeets have proved to be one of North Dakota's most profitable crops. With North Dakota farmers so ready and able to increase their production, it is very important that they be given the opportunity. I urge the committee to look with favor upon their efforts to achieve proper growth and development.

The CHAIRMAN. First, we have this morning as our witness Mr. Walter Sterling Surrey, representing the French West Indies, the islands of Guadeloupe and Martinique. We shall be glad to hear from you now, Mr. Surrey.

STATEMENT OF WALTER STERLING SURREY, ACCOMPANIED BY ALBERT PROSTERMAN, REPRESENTING FRENCH WEST INDIES, ISLANDS OF GUADELOUPE AND MARTINIQUE

Mr. SURREY. Mr. Chairman and members of the committee, my name is Walter Sterling Surrey. On behalf of the private sugar producers of the French West Indies, the islands of Guadeloupe and Martinique, whom I have the honor of representing, I wish to express my appreciation for this opportunity to appear before you. Mr. Albert Prosterman, to my right, the economic consultant to the private sugar producers of Guadeloupe and Martinique, is here with me.

Mr. Chairman, we have placed before you and the members of this committee, a modest booklet which offers some facts concerning Guadeloupe and Martinique as sugar suppliers to the United States. During the course of my oral testimony, I propose to summarize the salient facts covered therein.

Before turning directly to those facts, however, I trust you will not consider me presumptuous if, as others before me have, and others after me will, I offer some comments on the proposed legislation, H.R. 11730. I offer these words not on behalf of a client, but as personal comments against the background of some years of experience in the provision of foreign sugar supplies to the United States.

You, during the course of these hearings receive testimony from many witnesses, all of whom constitute what is sometimes adversely termed "the sugar lobby."

Mr. Chairman, members of this committee, I see nothing derogatory or wrong in witnesses representing diversified domestic interests and numerous friendly foreign sugar producers appearing before this committee in open hearings to present the facts and considerations applicable to each such interest. Indeed, I find this a much more open and less time-consuming procedure than would be involved if every foreign sugar interest would have to call upon numerous executive branch officers in many agencies every time, for example, a part of the Cuban quota is to be reallocated.

Assuming, as the administration does assume, that under H.R. 11730 there would be some value in securing a part of such Cuban reallocation, one can well believe, that the transportation lobby supports the administration's bill; all interests—and under the administration proposal not even outer space is ruled out as a source of sugar—would be visiting the Agriculture and State Departments many, many times a year.

But this assumes that under H.R. 11730 there is some value to the reallocation of the Cuban quota, and at the end of 5 years, some value to any export of sugar to the United States, including sugar from Cuba, if it happily once again becomes a member of the free world. Perhaps, at times there will be some value. That, however, during the coming years would depend not on the abstract theories of economists behind desks in Foggy Bottom, but rather on the practical machinations of a Cuban-Soviet bloc sugar czar.

Let me now return to my representative role, and speak again on behalf of the private sugar producers of Guadeloupe and Martinique.

I should like to summarize some of the principal factors which we consider important in any sugar legislation.

First, it is essential to know now which sugar producing interests will secure over the 5-year period a basic quota and which will participate in the growth of consumption in the United States and in the reallocation of the Cuban quota while Cuba remains under a Castroite form of government.

It would indeed be unfortunate if foreign sugar producing interests would be subjected again to the humiliating and unrewarding experience of having to bid at a barter auction to sell sugar to the United States. In that recent and all too unfortunate experience, the private sugar producers of Guadeloupe and Martinique arranged for the submission of an offer to purchase additional cotton and tobacco against sugar. This bid was rejected—because, in our view, arbitrary decisions were made as to which countries would be successful in such bargaining—and then negotiations were carried on with those countries to achieve the predetermined result.

Mr. Chairman, it is important for foreign producers to know now what they will be privileged to supply the United States over the next 5 years, and how much of this will be subject to "being returned" to Cuba in the event Cuba becomes free. To know those facts now from clear and unequivocal legislative provisions is far sounder economically for the foreign sugar producer than to be left guessing as to quantity and price, a world market price which will be determined not by normal economic conditions governing a free market, but by the Cuban sugar-supplied Soviet bloc.

Let me support his view with the facts in our case. In December of 1960, the sugar producers of Guadeloupe and Martinique offered their willingness to supply 185,000 short tons of sugar to the United States in 1962, and increasing quantities each year up to 1965 for a total of 230,000 tons, and 280,000 tons by 1970. In November of 1961, these same producers offered a firm 170,000 tons to the United States for early 1962.

In 1961, the sugar producers of Guadeloupe and Martinique received two purchase allocations, one of 25,000 tons and one of 50,000 tons. Until these allocations were made, they had no idea of how much of their sugar would be required by the United States. To date, in 1962, they have received one authorization—5,000 tons. Seventy-five thousand tons in 1961, and only 5,000 tons to date in 1962.

Agricultural planning, which is so important to the economy of these islands, is made most difficult, and economic stability becomes almost impossible to achieve, if the producers must await each quarter in each of 5 years for such ad hoc widely varied executive branch purchase allocations. Nor will economic stability be achieved by placing the producers at the mercy of a Soviet-controlled world market pricing formula.

We maintain that the historically proven quota system is the only way to assure supplies to the U.S. consumer, and economic stability to the supplying sources. We maintain that this legislation should reveal now every source for every ton of offshore supplies for every year during which the legislation will be effective.

Second, the legislation should provide quotas to an area of countries which will assure good and accessible supplies to the U.S. consumer. That area, apart from the Republic of the Philippines, is the Western Hemisphere.

And within that area, the islands of Guadeloupe and Martinique offer a most accessible proven source. They, together with Puerto Rico and the Dominican Republic, for a nearby certain source of sugar are just as available to the east coast refineries as was Cuba.

Guadeloupe and Martinique also offer a source which is capable of storing sugar, thereby contributing to the sugar stability of the U.S. market by affording available sugar quickly to meet sudden demands in the United States.

Nor should it be overlooked that the sugar producers of these islands are well experienced in supplying all foreign markets, and particularly the United States. In World War II, Guadeloupe and Martinique shipped to the United States more than double the amounts of any other country but one; it was second only to Cuba as a supplier. Let us not forget those who aided us during that critical emergency.

In May 1961, recognizing that the United States might again be facing a sugar supply problem, these islands held in storage 50,000 tons against possible U.S. needs. This need developed, and in the third quarter of 1961, these islands, in fact, shipped these 50,000 tons to the United States.

Third, the United States should be assured that the benefits of sales in the preferential U.S. market go in large measure to the peoples of the producing country. Here again, the islands of Guadeloupe and Martinique offer unique reassurance.

On these islands, the highly paid field and factory workers receive 54 percent of the earnings realized from sugar and sugar products exports. Basic rates for fieldworkers and millworkers average between $2.20 and $2.40 U.S. dollars per day, and including social security benefits, these wages go as high as $3.50 per day. The wages reached this high, unique for a sugar economy, at the time the French West Indies received U.S. purchase allocations in 1961.

Moreover, small sugar planters, the 2-acre independent farmers—the backbone of the sugar growing resources of Guadeloupe and Martinique—receive additional benefits from higher export prices.

Now these people—the sugarworker and the small farmer of these islands—not only could not hope for better conditions out of sugar sales to the United States under the terms of H.R. 11730, but would be considerably worse off. Under that bill, the premium recapture provision could not even have a chance of coming back to their islands as a part of charity through aid. They receive no Alliance for Progress aid. They would in the most absolute terms be left to the mercy of the Cuban sugar-supplied Soviet bloc controlled world market price for a significant proportion of their sugar production.

This result would clearly not be good for them, and equally not good for the stability of the Western Hemisphere. As the U.S. consul to Guadeloupe and Martinique has established, and I paraphrase from several reports:

Sugar is the backbone of this essentially agricultural economy, and only through better prices for its sugar exports can the islands satisfy the "revolution of rising expectations."

Fourth, in considering the basic quotas that should be assigned to supplying sources, various factors should be borne in mind. Of course, no one Western Hemisphere country will come out on top for every factor.

Let me list the basic factors we consider significant:

One, location and availability;

Two, past history of deliveries to the United States, recognizing not only those Western Hemisphere suppliers who have a quota under existing law but also those who have been called upon in the emergencies of World War II and the 1960–62 period;

Three, past trade relations with the United States and future trade potentials.

If these principles are applied, we need not argue for any specific quota figure for Guadeloupe and Martinique. The material in the booklet gives the facts on the French West Indies in these respects. Indeed, we take the firm position that a decision by this committee will be fair and just—and definitive for the effective period of the legislation. That latter factor in itself will be of the greatest significance and help to all sugar-producing sources.

Fourth, in considering the establishment of the Cuban quota, let us accomplish two things. Offer something meaningful to a future free Cuba—and may it come soon—and avoid ever again putting too great reliance on any single supplier.

The applicable provisions of H.R. 11730 give Cuba a 2,500,000-ton quota. This is what is held out to Cuba as an incentive to it when it once more rejoins the free world. But that 2,500,000 figure is, in effect, at world market prices. Does that really offer Cuba a meaningful incentive?

Mr. Chairman, representing clients whose geographic location makes them very much aware of and concerned with events in the Caribbean, we have a real concern that a future Cuba be offered a significant, not an ephemeral, sugar future with the United States. And at the same time, we believe past history has guided us to the realization that no one foreign sugar source should be too dominant.

A Cuban quota, therefore, of, for example, 1 million tons at existing preferential U.S. market conditions, plus participation in the growth of the U.S. market, offers an incentive of substance, a future of meaningful reality. One million tons under these conditions is far better than 2,500,000 tons at world prices.

May I recapitulate briefly some of the points we have stressed:

First, to permit sensible and predictable long-term agricultural planning, it is recommended that the committee consider having the legislation detail the specific basic quotas, the participation in our growth of consumption, the reallocation of the Cuban quota pending Cuba's return to the free world, and the reallocation of deficits;

Second, we urge that consideration be given to providing that the foreign sources of U.S. sugar requirements be limited to the Republic of the Philippines and the Western Hemisphere;

Third, in arriving at specific quotas, consideration should be given to the location and availability of the supplier, past deliveries, including deliveries during periods of emergency supply problems, and past and potential trade relations with the United States; and

Fourth, offer Cuba in this legislation a meaningful quota of 1 million tons, plus participation in growth, at the U.S. price, not an illusory, will-o'-the-wisp, world market price.

Mr. Chairman, members of this committee, we do not represent a giant sugar producer if one is to consider the totality of the U.S. requirements. But we do represent producers who have proven their ability to help meet these needs quickly and effectively and in significant amounts.

We are particularly gratified that despite the fact that we are not a giant in the sugar world, we are treated in this forum with the same consideration as all other foreign sugar supplying sources. With that consideration prevailing, we are pleased to leave the hard decisions, and the future course of history of the people of Guadeloupe and Martinique, in your hands.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Surrey. Are there any questions? If not, your statement will be given very careful consideration by the committee.

Mr. HAGEN of California. With respect to 1961, was that 50,000?

Mr. SURREY. It was 75,000.

The CHAIRMAN. Are there any other questions? If not, thank you very much again, Mr. Surrey.

Mr. SURREY. Thank you.

The CHAIRMAN. I next call Mr. Frederick E. Hasler, chairman of the Haytian American Sugar Co., S. A.

We will be glad to hear you now.

STATEMENT OF FREDERICK E. HASLER, CHAIRMAN, HAYTIAN AMERICAN SUGAR CO., S.A., ACCOMPANIED BY JOHN F. P. CLARK

Mr. HASLER. Mr. Chairman and members of the committee, my name is Frederick E. Hasler. I am chairman of Haytian American Sugar Co., S.A., a Haitian corporation, which is wholly American owned. I speak not only for the Haytian American Sugar Co., which is the owner of the largest sugar mill in Haiti, but for the entire sugar industry of the Republic of Haiti.

We are opposed to H.R. 11730, as it is now written.

We believe, first, that not only should Haiti continue to have a sugar quota, as it has had for almost 30 years, but that the size of that quota should be increased. Second, we believe that it would be disastrous to impose import fees which would have the effect of limiting the Latin American sugar producers to receiving the so-called world price for their sugar.

Haiti provides a close dependable source of sugar for the United States.

Last year Haiti produced approximately 83,000 tons of sugar; 30,000 to 35,000 tons is required for local use. This exportable balance of 50,000 tons can be readily maintained. Thus we have a constant and close supply of sugar for the United States of at least 50,000 tons of sugar a year. We ask that our present quota of 7,566 tons be increased to this more realistic figure.

Haiti is both a small country and a poor country but, for its size and wealth, has been a very good customer of the United States.

As shown by the charts submitted for the record by Hon. Oscar L. Chapman, in behalf of the Association of Sugar Producers of Mexico, Haiti, during the period 1957–61, purchased goods from the United States in the amount of $124 million while its sales to the United States amounted to $94,400,000, leaving a balance of trade unfavorable to Haiti in the amount of $29,600,000.

In the year 1961 Haiti purchased goods from the United States in the value of $25,847,829. Its sales to the United States amounted to only $19,013,788, leaving an unfavorable balance of $6,834,141.

The other chart, submitted by Mr. Chapman, which compared sugar quotas to balance of trade, reveals that Haiti's quota for 1961 amount to 0.23 percent, whereas, based on balance of trade it would have been 2.12 percent.

As shown by the chart numbered IX, submitted in behalf of Brazil, Haiti, for the past 5 years purchased from the United States an average of 2.6 percent of all the wheat purchased from the United States by countries in the Western Hemisphere which sold sugar to the United States. Yet as shown above Haiti's sugar quota amounted only to 0.23 percent.

The bill as presently written provides a quota for Haiti of only 0.26 percent of the sugar allocated for foreign countries other than the Philippines.

The cost of producing a pound of sugar in Haiti, which is not too different from that of other Latin American countries, is in the order of 3.75 cents. That is in the warehouse, and when it is shipped to the United States there would be, at least, another 2 cents a pound added.

The world price of sugar for July shipment is presently 2.5 cents a pound. Obviously we could not produce sugar for export under these conditions.

The consequences of our not being able to export sugar would be disastrous to the economy of Haiti.

Last year our company purchased cane from 11,744 farmers, providing them with their sole source of cash. We employ permanently 2,500 workers and this increases to 5,000 during the crop season. Thus we alone, and directly, provided for almost 17,000 families, or approximately 100,000 people in Haiti. The number of others indirectly supported by our sugar production would be many times this figure. We have not attempted to provide comparable figures for the other sugar mills.

Our employees receive wages of more than $1,500,000 annually, at a rate 2½ times the national average. We paid $1,900,000 to farmers last year and almost $1,300,000 in taxes to the Haitian Government.

In fact only 10 cents or less out of every dollar received by us is retained for surplus or dividends.

It is obvious, I submit, that if we could not export sugar to the United States, the effect on the economy of Haiti would be depressing. Economic assistance from the United States in the amount of the wages, farm income, and taxes which would be lost by this action would not begin to offset the damage to the Haitian economy.

The effect on the morale of the people of Haiti would be even more serious. There are no large estates in Haiti and the percentage of land owned by the people is the largest of any country in Latin America. The land in Haiti is owned in small parcels by many people. For them to not be able to sell the product of their land would not increase their faith in the free world's promise for the future.

The Alliance for Progress provides words of encouragement to our good neighbors to the south. Let us back up these words with trade as well as aid but let us not substitute aid for trade.

Let us not replace a sugar supply system which has worked well for almost 30 years, with a system that has already been proved inadequate—particularly at a time when the Russians could manipulate that system to serve their own needs and desires.

The CHAIRMAN. We thank you very much, Mr. Hasler, for your statement.

Are there any questions?

Mr. MCINTIRE. What part of the total sugar production in Haiti is represented in the activities of your company?

Mr. HASLER. I did not get that question.

Mr. MCINTIRE. What part of the total sugar production of Haiti is represented by the scope of your company's activities?

Mr. HASLER. I should say about 80 to 85 percent.

Mr. MCINTIRE. What part of the total gross national product of Haiti is represented in the commodity sugar?

Mr. HASLER. In exports I would say it is about one-third.

Mr. MCINTIRE. About one-third of the total economy is in the commodity sugar?

Mr. HASLER. Yes, sir.

Mr. MCINTIRE. Thank you very kindly.

The CHAIRMAN. Are there any further questions? If not, we thank you very much again, Mr. Hasler.

Mr. HASLER. Thank you.

The CHAIRMAN. Our next witness is Mr. Robert C. Barnard on behalf of the Australian sugar industry.

STATEMENT OF ROBERT C. BARNARD, REPRESENTING THE AUSTRALIAN SUGAR INDUSTRY

Mr. BARNARD. Mr. Chairman and members of the committee, my name is Robert C. Barnard. I am grateful for the opportunity to appear before this committee. I speak on behalf of the Queensland Sugar Board and the Australian sugar industry, including the Australian Cane Growers Association and the Australian Sugar Producers Association.

They wish me to express, first, their gratitude for the opportunity given Australia last year to supply sugar to the United States. Second, they ask that the Congress consider permitting Australia to continue to supply sugar on a regular basis.

I would like, if the chairman will permit, to read a cable from the chairman of the Queensland Sugar Board, Otto Wolfensberger, and also from the Australian sugar industry, which includes the Australian and the Queensland Cane Growers Association and the Australian Sugar Producers Association:

On behalf of the Queensland Sugar Board and the Australian sugar industry which includes the Australian and the Queensland Cane Growers Associations and the Australian Sugar Producers Association we request that you express to the Congress through the Agriculture Committee the deep appreciation of Australian industry for the opportunity afforded Australia to supply sugar to the U.S. market last year. The sugar producers would welcome the opportunity for closer ties with United States by continuing to supply sugar. On behalf of the 9,500 sugar farmers and the Australian sugar industry we ask that you express to the Congress our hope that United States will look favorably on Australia as a stable source to supply a part of the sugar requirements of the U.S. market. A permanent quota could contribute significantly to the economic development of Queensland and could benefit not only the sugar producers but the large percentage of the Queensland population who are mainly dependent on the sugar industry for their livelihood.

It is a pleasure to report to this committee that the opportunity to supply sugar which the Congress made possible for the Australian industry last year was widely publicized and warmly received by the Australian sugar growers and millers, and throughout Australia. The 9,500 sugarcane farmers of Australia are thus personally and keenly aware of this friendly act of the United States, and hopeful that this year the Congress will consider them favorably to furnish sugar regularly to the United States.

Their hopes are strengthened by the close ties that have joined the United States and Australia as allies and by the growing trade that is now bringing these two democracies closer economically.

The United States and Australia have long been partners in history. Aside from their common heritage, and the similarities of their political and economic past, the two countries were allies on the battlefields of World War I and World War II. Since that time, they have grown closer through their membership in ANZUS, the mutual security treaty that unites the United States, Australia, and New Zealand, as well as through SEATO (the South East Asia Treaty Organization).

The committee may have seen this week that Australia has committed its troops, alongside U.S. troops in Thailand.

Settlement of the tropical northeast coast of Australia, through the development of the sugar industry there, has proved of strategic importance to the United States, to Australia, and to the rest of the free world. The industry has brought about intensive settlement along 1,300 miles of this Australian coast, developing roads, airfields, ports, and communications, which enabled General MacArthur to mount speedily the offensive that turned the tide in the Pacific war.

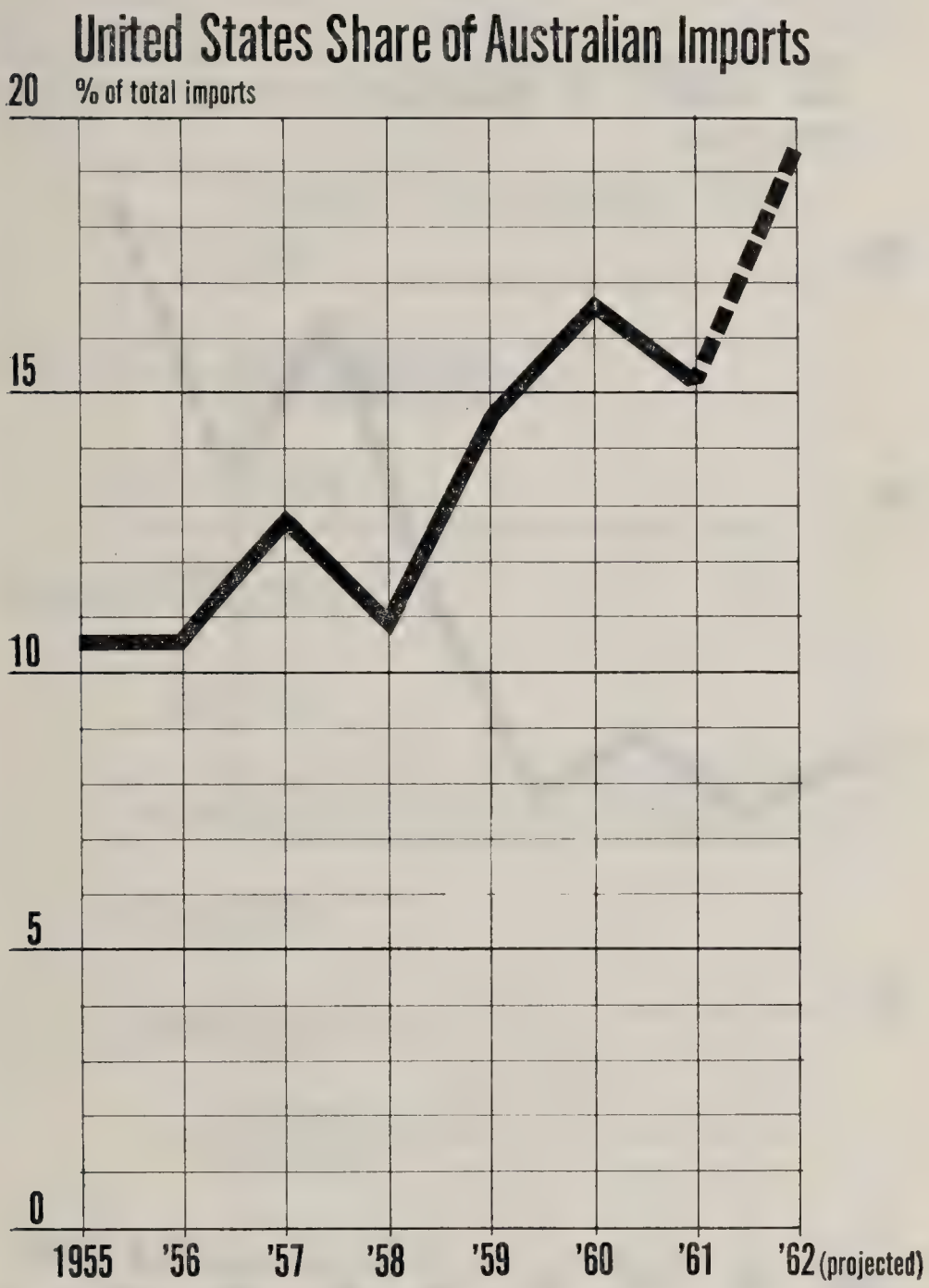
This area was the base for the aircraft in the Coral Sea Battle.

The economic ties have become greater because of increasing trade with the United States and American investment in Australia. Australia has been turning more and more to the United States as a

source for its imports, so that today America is the second largest exporter to Australia. The chart entitled "United States Share of Australia Imports" shows the development of America's share in the Australian market. Between 1955 and 1962 the United States share of the Australian import market has doubled from 10 to 20 percent.

The significance of this growth is shown by the actual volume of U.S. exports. The value of U.S. exports to Australia more than

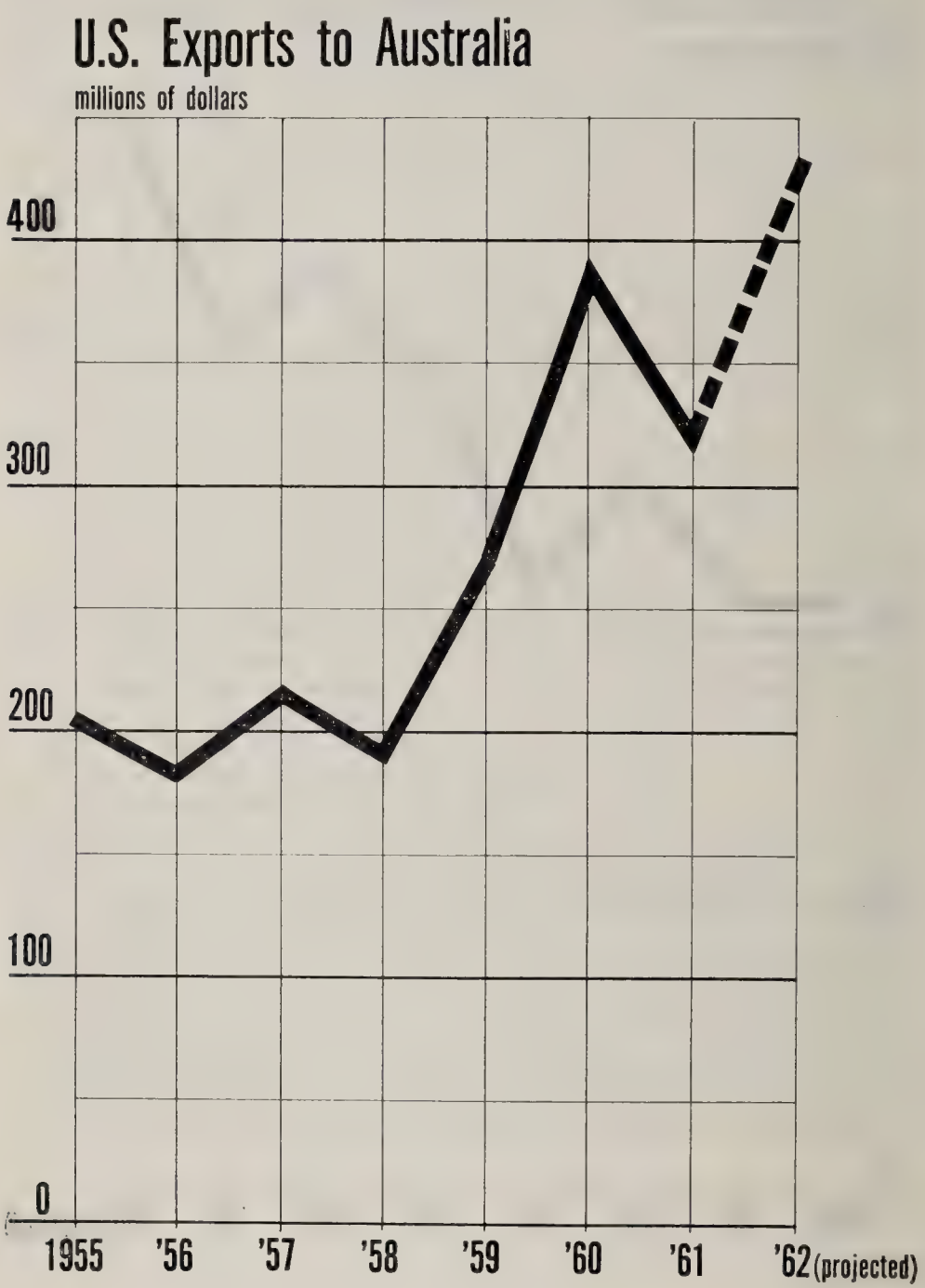
CHART 1



doubled between 1955 and 1962. It rose from $200 million in 1955 to $430 million in 1961. The details appear on the following chart entitled "U.S. Exports to Australia" which shows the growth over this period of years.

An important part of those U.S. exports are U.S. agricultural products. In fact, relative to its population size, Australia purchases more U.S. agricultural goods than any of the present major sugar quota countries.

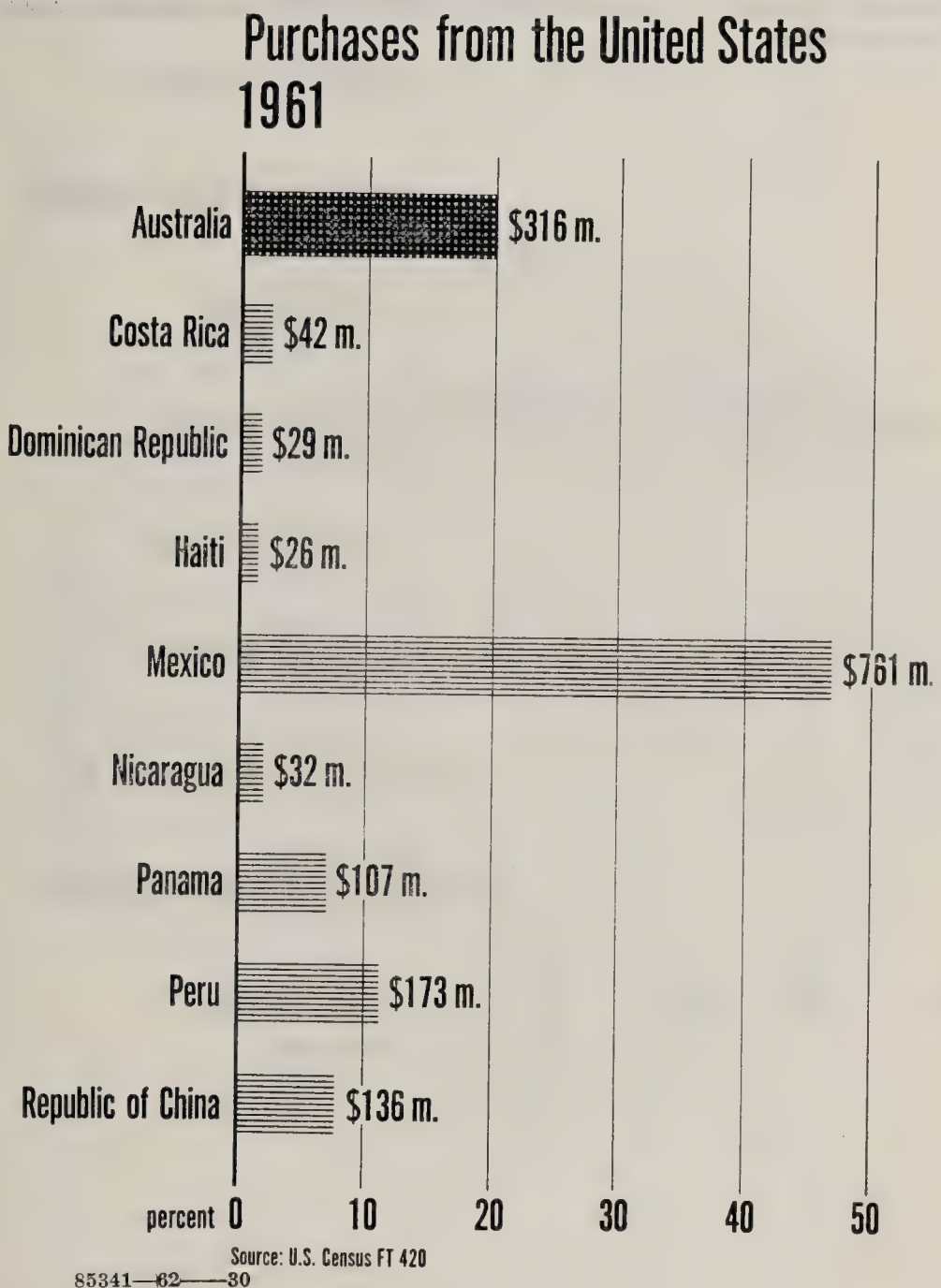
CHART 2



Earlier this week the committee showed an interest in the relative position of countries which were purchasers from the United States, and on Monday a chart was introduced before this committee showing the relative position of the major full-duty sugar quota countries. And since we thought it would be helpful to the committee we have taken that same chart and have added Australia to the chart as it was presented to the committee.

The chart entitled "Purchases From the United States" shows and compares purchases from the United States in 1961, showing the dollar volume by countries. At the bottom of the chart it shows the percentages. It compares Australia with the other major sugar-producing full-duty quota countries.

CHART 3



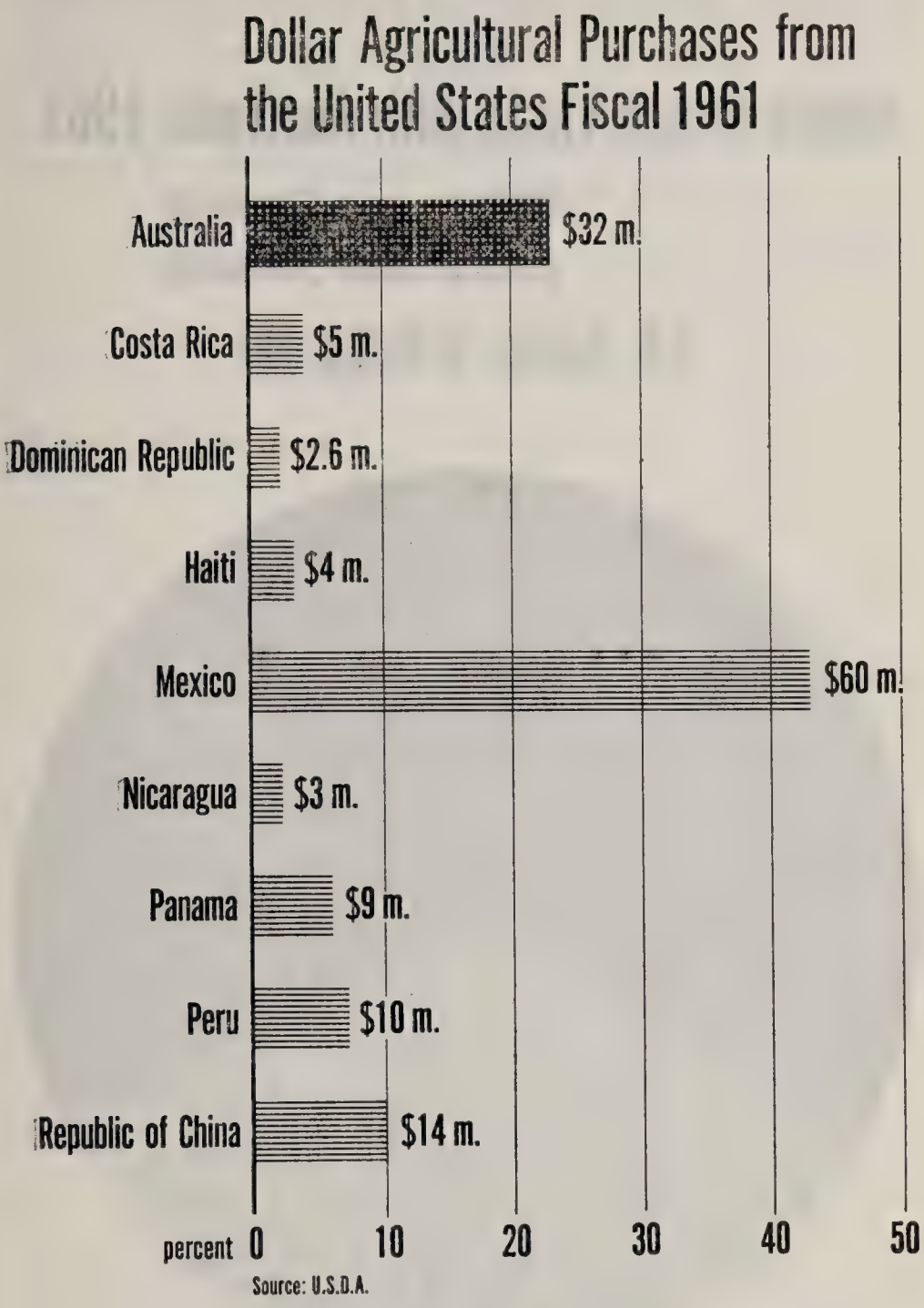
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Australia, as you can see from the chart, with its $316 million of imports from the United States in 1961 was the second largest customer in this group of countries and represented, approximately, 20 percent of the total purchases from the United States of all of these countries combined. The 20-percent line comes just here [indicating]. And because we thought it might be interesting and helpful to the committee we have prepared a similar chart showing the comparison on the basis of agricultural purchases from the United States.

This chart entitled "Dollar Agricultural Purchases from the United States, Fiscal 1961" shows the dollar agricultural purchases from the United States; that is, excluding the purchases under Public Law 480. It is calculated on the same basis as the preceding chart, sir. It shows the purchases by countries in dollar amounts, and at the bottom of the chart is the percentage scale, so that you can see how each country stands as a percent of the total purchases represented by the entire chart.

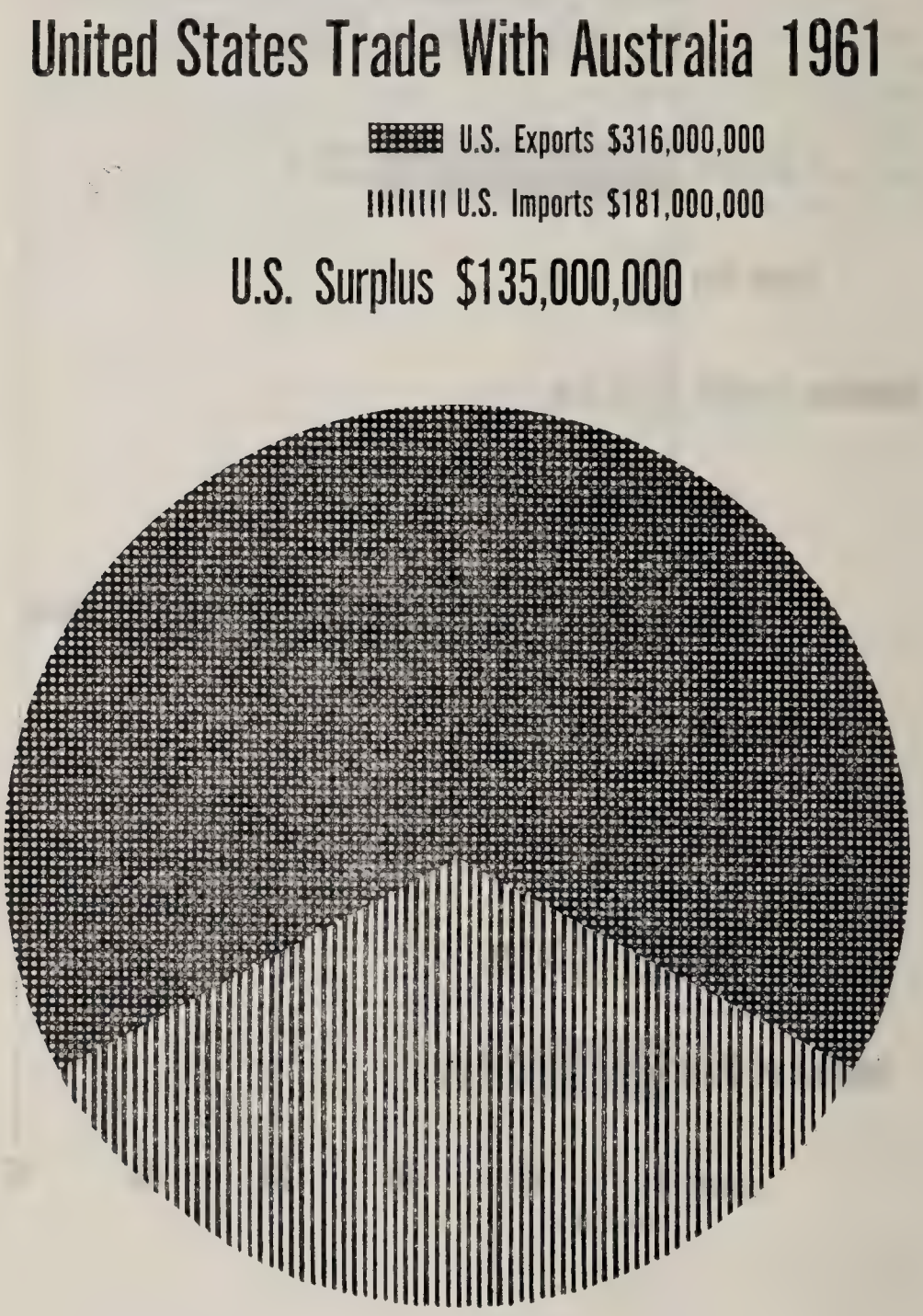
As you can see, Australia, with $32 million agricultural purchases in fiscal 1961 is clearly the second largest purchaser, and its purchases represent approximately 23 percent of the total agricultural purchases shown on this chart.

CHART 4



In recent years, the United States has been enjoying a favorable balance in its trade with Australia. In 1961, U.S. exports to Australia were greater by $135 million than imports from Australia. The trade advantage of the United States is illustrated graphically in the pie chart entitled "United States Trade With Australia, 1961."

CHART 5

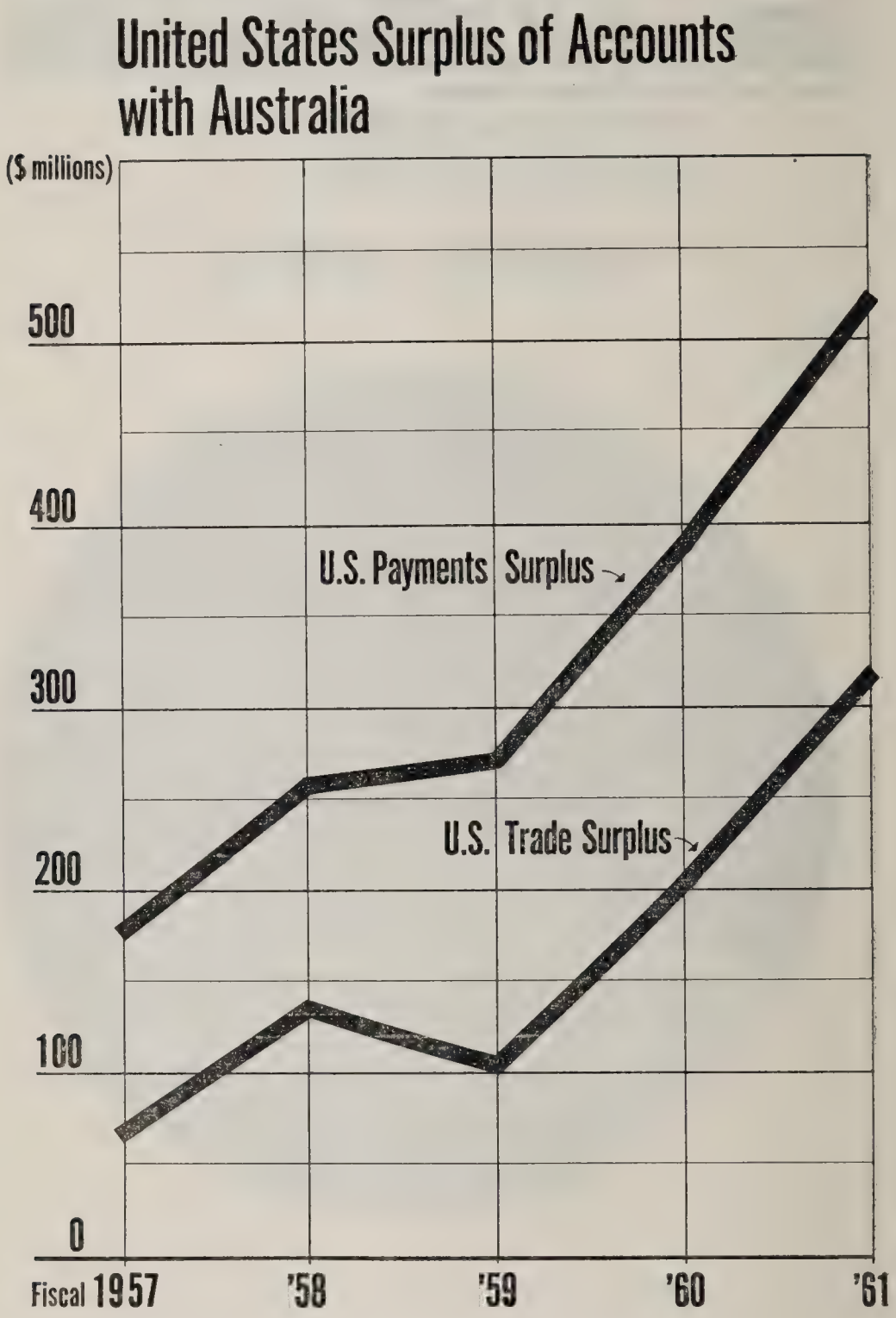


The balance of payments favors the United States even more. In fiscal 1961 the U.S. favorable payments balance exceeded $500 million. Australia must depend on its own exports to maintain and increase its purchases from the United States.

Because we thought this might be of interest to the committee we have a chart which traces the balance of payments and U.S. trade surplus in trade with the United States. This chart entitled "U.S. Surplus of Accounts With Australia" shows, the U.S. surplus in millions of dollars, by fiscal years from 1957 to 1961. The bottom line shows the growing U.S. trade surplus with Australia. This is the American favorable trade balance.

Some countries make up for the trade balance deficit by tourist industry or other kinds of industries which provide invisible payments. Australia has no such source of invisible payments from the United States and as a consequence the U.S. favorable balance of payments as shown in the chart is greater than the favorable balance

CHART 6



of trade. And the favorable balance increased, as shown by the chart, from 1957 to 1961.

The CHAIRMAN. How much has Australia received in the way of grants from the United States?

Mr. BARNARD. None.

The CHAIRMAN. Not any at all?

Mr. BARNARD. None, sir.

The CHAIRMAN. Thank you.

Mr. BARNARD. We did not have time to prepare these charts in small form for submission for the record. I would like your permission to do so later, if that is agreeable.

The CHAIRMAN. Very well.

Mr. BARNARD. A sugar quota would help to promote this growing trade between Australia and the United States. It would also have a very personal effect, since it would benefit directly the 9,500 individual farmers who grow Australia's sugarcane and, through cooperatives, own half of its sugar mills. In all, some 350,000 Australians dependt directly or indirectly on the sugar industry for their livelihood.

May I state at this point that the sugar industry is Australian from top of bottom, from producers to refiner.

Australia's sugar is grown and milled primarily in the State of Queensland, where the sugar industry is the principal economic activity. The 9,500 independent farmers who grow Australia's cane have farms averaging 60 acres each. On 80 percent of these farms, no other crop can be grown econmically. These farmers would benefit directly from the opportunity to sell sugar in the United States, for while they operate under an orderly marketing program, they receive no subsidy. Their incomes derive directly from the proceeds of sugar sales in both the domestic and export markets. In fact, 70 percent of income from raw sugar sales goes to the farmer.

This is possibly the highest percentage of net proceeds paid to cane farmers anywhere in the world.

Australia's sugar industry offers the United States the advantage of a stable, reliable supplier which is one of the world's most efficient. Its production this year will exceed 1¾ million tons, an amount comparable to that of the Philippines. Its export facilities are fully mechanized for speedy shipment, and in terms of distance from U.S. east coast markets. Australia's sugar is 1,500 miles closer than that of the Philippines.

Australia can make available this year and in each succeeding year 300,000 short tons of raw sugar for the U.S. market. This quantity is in addition to that required for Australian domestic consumption and exports to established oversea markets. It would be available without expanding either the acreage planted or existing mill facilities.

Australia hopes to be able to supply the U.S. market as a permanent quota supplier, and in addition to supply, under reallocation, a portion of the sugar set aside for Cuba. Assuming Australia's request for a permanent quota is granted, she would have available additionally for the U.S. market a substantial tonnage which she is prepared to supply on a short term year-to-year basis. Under a permanent quota plus temporary reallocations Australia is able and offers to supply in total 300,000 tons annually.

I wish to make Australia's position quite clear on this matter of Cuban reallocations. When Cuba becomes democratic and resumes friendly relations with the United States, then the Australian industry will surrender its short-term reallocation of the Cuban quota without claiming any vested right whatsoever in such temporary reallocations. This is the position which the Australian industry has taken publicly ever since the Cuban supply to the United States was cut off in early 1960. I am glad to be able to reconfirm today the policy stated at that time.

In this connection, we would not presume to advise this committee as to what the U.S. interest may be in adopting the global quota that has been proposed, nor for that matter in "recapturing" the so-called American price premium. For its part, the Australian industry is not advocating a global quota or "recapture."

It is widely accepted in authoritative sugar circles that the present world price of raw sugar is below production costs in most, if not all, sugar-producing countries. Australia has consistently favored stabilization of commodity markets along with the free flow of trade, to assure orderly markets, fair prices to the consumer, and a fair return to producers. The Australian industry desires to supply the United States with sugar regularly and at a fair price.

Australia is aware that the Congress is being pressed for new or enlarged quotas, and for shares in the Cuban reallocations, by many nations with sound proposals for supplying sugar. It would be a serious disappointment, however, if the Congress were to adopt a principle, either for the setting of quotas or the filling of the reserved Cuban quota, confining the new allotments to the Western Hemisphere. A mere accident of geography should not be the basis for excluding a major exporter of sugar such as Australia, which is an historic ally of the United States and a close partner today in mutual defense and a significant and growing customer for U.S. exports.

We think also that this committee would not want to adopt a principle that would exclude a large purchaser of U.S. agricultural products. It is understandable that the Congress would wish to encourage substantial purchases of U.S. agricultural commodities. Australia meets this test. Last year, when Australia was privileged to supply 90,000 tons of sugar to the U.S. market, Australia purchased twice as much worth of unmanufactured tobacco and cotton from the United States as the value of the sugar it furnished. The total value of agricultural products purchased by Australia that year, 1961, from the United States was about four times the value of the sugar exported to America. In addition to cotton and tobacco, the agricultural products Australia imports from the United States range from vegetables and vegetable oils to canned poultry and oranges. Australia also is a large importer of U.S. sawmill products.

All of these imports by Australia of U.S. agricultural goods and sawmill products were for dollars and for cash.

We are hesitant to propose to this committee a specific figure as a fair permanent quota for Australia. We have full confidence in this committee's decision as to what would be a fair and reasonable perma-

nent quota in the light of the facts we have presented, and that are applicable to Australia. To summarize briefly:

(1) In 1961 the Australian industry supplied 90,000 tons promptly to the U.S. market. This past performance provides one measure for judging a fair quota.

(2) Australia's purchases from the United States have grown steadily each year until now those purchases represent 20 percent of the Australian import market.

(3) In relation to the full-duty countries, Australia is the second largest cash purchaser from the United States both of agricultural products and other goods.

(4) The United States had a favorable balance of trade with Australia of $135 million last year, and the balance of payments between Australia and the United States favored the United States by over one-half billion dollars in the last fiscal year.

(5) The United States will want to give special consideration to Australia as a country cooperating with the United States in the defense of the South Pacific and southeast Asia.

May I again thank the chairman and the members of this committee for their courtesy in permitting me to present Australia's request for the privilege of supplying a portion of America's sugar needs on a regular and mutually beneficial basis.

The CHAIRMAN. We thank you very much. Are there any questions?

Mr. MCINTIRE. Will you put into the record the price which the Australian seller receives, compared to the world price, to the Commonwealth preference price, to the U.S. price, so that we might see this relationship?

Mr. BARNARD. Yes, I will be glad to supply that.

Mr. MCINTIRE. Thank you very much.

(The information follows:)

AUSTRALIAN SUGAR EXPORTS—PRICE COMPARISONS BASED ON AVERAGE NET RETURN (F.O.B. QUEENSLAND PORTS)

A normal relationship, for general purposes of comparison, of the average net return (f.o.b. Queensland ports) received by the Australian sugar industry from sales on (1) the "world" markets, (2) the Commonwealth preferential markets, and (3) the U.S. market, would be as follows:

Range per short ton, 96° polarization

(1) "World" markets	$45–$60
(2) Commonwealth preferential markets	75– 85
(3) U.S. market	105–110

The ranges reflect variations that can ordinarily be expected under present market conditions, during the course of a season, in both prevailing prices and freight rates to the various markets.

The CHAIRMAN. Are there any further questions?

Mr. POAGE. Would you give us a little lesson in geography? Just where is the sugar industry located, is it north or south of Townsville?

Mr. BARNARD. It is in the northeast part of Australia, on the coast, along the northeast of Australia.

Mr. POAGE. I know, but is it north or south of Townsville?

Mr. BARNARD. It extends from north of Cairns down to below Brisbane.

Mr. POAGE. To below Brisbane?

Mr. BARNARD. Yes, sir.

Mr. POAGE. Then you get into New South Wales?

Mr. BARNARD. There is quite a little production in New South Wales.

Mr. POAGE. It does not go very far north then, as far north as I anticipated.

Mr. BARNARD. Cairns is far north of Rockhampton.

Mr. POAGE. Yes, I know where that is. Thank you.

The CHAIRMAN. We thank you very much, Mr. Barnard. Are there any further questions? If not, on request, I ask permission to insert in the record a statement by His Excellency the Honorable Sir Howard Beale, Ambassador for Australia to the United States. Without objection, it will be inserted at this point in the record.

(The statement follows:)

STATEMENT BY HIS EXCELLENCY THE HONORABLE SIR HOWARD BEALE, K.B.E., Q.C., AMBASSADOR FOR AUSTRALIA TO THE UNITED STATES OF AMERICA, ON SUGAR QUOTA AND ALLOCATION

The Australian Government understands clearly the complexity of the problem facing the administration and Congress, and appreciates the very real efforts which are being made to cope with it.

2. The Government is grateful for the fact that last year it was found possible to make an allocation to Australia of 90,000 tons of sugar. It was freely acknowledged at the time that this was a special allocation which did not of itself confer a right to any future allocation; on the other hand it was understood that if the policy as to quotas came under review in the future, the Australian sugar industry would be given the opportunity of putting forward its views. It is this very matter of policy in relation to quotas and allocations that this committee is now considering.

3. Neither the Australian Government nor the sugar industry advocates a global quota as has been suggested; nor do they favor the proposal that quotas and allocations should be limited to Western Hemisphere countries. The industry's request is that it be given a modest and fair quota, and an opportunity to supply a portion of the Cuba allocation (the industry could supply 250,000 tons without any expansion of production).

4. The Australian sugar industry is the fourth largest sugar producer in the world; it is a stable and efficient free enterprise; it consists of some 9,000 indigenous small farms owned partly by war veterans, located in the tropical areas of Australia which do not readily grow other crops; it gives direct employment to 80,000 persons, and indirectly affects about 350,000; it is not subsidized by the Government; and its products are organized and marketed for the farmers themselves through a statutory board. Its able representative will submit to this committee the industry's reasons why it should be granted the quota and allocation asked for. But there are also other reasons of a political and international character affecting our two countries, and it is with these that I am concerned.

5. In the first place, Australia is an ally of the United States. If I may say so, she is a good ally:

(*a*) In World War I more Australians were killed in action than Americans; 68½ percent of all Australians who went into action became casualties—all of them volunteers.

(*b*) In World War II 14 percent of the total population of Australia ended up in uniform. Australians fought on many fronts around the world, and notably with you in the Pacific, where the bones of our dead rest side by side with yours.

(*c*) In Korea, Australia was the first country to offer to commit forces with those of the United States in January 1950. Two or three days ago Australia was again the first country to offer to commit forces alongside yours in Thailand, if requested to do so.

(*d*) We are closely allied to the United States in ANZUS, in SEATO, in mutual security arrangements, in space research, and by our common heritage and way of life.

(*e*) Australia is the third great center of Anglo-Saxon and European culture in the world, and an important bastion in the southwest Pacific. We believe our survival and security in the face of Asiatic communism is important to you, as yours certainly is to us.

(*f*) Australia is not a mendicant country. We paddle our own canoe; and we have neither received nor asked for any of the magnificient foreign aid assistance which you have given to so many countries.

6. Nor is Australia only your ally: she is also an important U.S. export market. Her purchases are steadily increasing; as well as being a large consumer of your manufactured products, she buys per capita more agricultural products, e.g., cotton, tobacco, than any other sugar producer.

7. But we have a heavily adverse trade balance with this country, for we buy very much more from you than you are willing to buy from us. For instance, Australia is the greatest wool producer in the world, yet the United States places a heavy duty—about 25 percent—on Australian fine wool (the only country in the world to do so). Australia is the largest producer of mined lead, which, owing to high-grade ores and efficient production, can be mined transported and successfully sold in America in competition with locally produced lead; however, to prevent the natural operation of the laws of supply and demand and competition, the United States restricts Australian lead imports by a severe quota system. Australia is a substantial dairy producer, yet as a result of U.S. quotas, only 9 tons of Australian butter may enter the United States in any year. These are illustrations of some of the difficulties we encounter in endeavoring to trade in this country.

8. Trade is absolutely vital to Australia: 20 percent of her national income is derived from overseas trading as compared with 6 percent for the United States. Without overseas trade, the rapid development of the country and its resources must inevitably slow down—with the result that Australia will neither be able to play the full part she wishes to do as an ally, nor continue to be an important and growing customer for the products of American primary and secondary industry. The granting of the sugar quota and allocation asked for by the Australian industry would help Australia's trading position without any injury wherever to the U.S. sugar industry.

For all the above reasons, the Australian Government hopes that this committee will feel able to concur in the application.

The CHAIRMAN. We next call on Mr. Ganson Purcell, representing the Nicaragua Sugar Estates, Ltd.

STATEMENT OF GANSON PURCELL, COUNSEL FOR NICARAGUA SUGAR ESTATES, LTD.

Mr. PURCELL. Mr. Chairman and members of the committee, my name is Ganson Purcell, and I appear before you on behalf of Nicaragua Sugar Estates, Ltd., which is the major sugar producer in Nicaragua. The sugar producers of Nicaragua are, of course, keenly interested in the bill pending before your committee to revise and extend the Sugar Act of 1948, H.R. 11730. Our interest in the sugar program of the United States is one of many years standing as Nicaragua has participated in that program from its very inception as a foreign supplier of sugar.

Nicaragua is deeply concerned over several of the basic provisions of this bill, and I am here to present to this committee its observations on the inequities of those provisions as they bear on the ability of the Nicaraguan sugar industry to continue in a sound and healthy condition, and to give you its suggestions for amendment of those provisions affecting Nicaragua and the other Western Hemisphere sugar-producing countries.

It is unnecessary for me to recapitulate the success of the U.S. sugar program under the Jones-Costigan Act of 1934 and the various successor statutes and amendments that have been enacted into law by the Congress since that time. If for no other reason, Mr. Chapman's brilliant exposition and development of this history has served the purpose far better than I could hope to do.

Turning to the provisions of the bill itself, the proposal for a global quota for importation of foreign sugars and the recapture of the U.S. premium price through the imposition of import fees is probably the most radical of the bill's proposals. During the preceding days of hearings on this bill, representatives of leading domestic and foreign sugar producers alike have expressed their shock and opposition to this proposal. I need hardly say more than that Nicaragua opposes it vigorously and sincerely as an economically unsound departure from a proven pattern of sugar market control. We are deeply gratified, Mr. Chairman, by your firmly expressed opposition to these phases of the administration bill and that of other members of the committee.

Since a premium recapture program would require foreign-produced sugar to be sold into the United States at the world price, it would effectively foreclose Nicaragua from the U.S. market since that country could not long afford to produce sugar for sale at a loss. My suggestions will, therefore, be based upon the assumption that the legislation to be adopted will continue to provide for the purchase in this market of foreign sugar at price levels comparable to those obtaining over the past several years.

I would like now to address myself to certain recommendations with respect to a revision of the bill to which we hope this committee will give favorable consideration. These recommendations fall into two main categories. The first relates to Nicaragua's basic quota; the second relates to limitations on direct-consumption sugar which may be entered within that quota.

We urge your committee to modify H.R. 11730 along the following lines:

1. There should be made available on a long-term basis to traditional friends of the United States in the Western Hemisphere, including Nicaragua, some portion of the former Cuban quota. At the same time, we do not urge the complete elimination of a quota reservation for Cuba in current legislation, for Nicaragua shares with the United States the hope hat Cuba will soon rejoin the ranks of free nations. We consider it in the best interest of Latin America as well as the United States to make possible the ultimate resumption of participation by a free Cuba in the U.S. market.

We do not feel, however, that it is appropriate or necessary to reserve for Cuba a quota of 88.85 percent or more than 2,500,000 tons, of the entire quota assigned to foreign countries other than the Philippines, especially in view of the very material deterioration in the Cuban sugar industry since the advent of the Castro regime. We urge the committee to limit the Cuban reservation to at least 1,500,000 or 1,750,000 tons, raw value.

2. Secondly, we find wholly unjustified any provision for a growth factor in the Cuban "reservation." This, of course, would be the effect of stating the Cuban quota in percentage terms as is done in H.R. 11730. Under the bill the Cuban quota could be expected to increase by more than 245,000 tons between 1962 and 1967. (See exhibit I to this statement.) All evidence points to a continued decline in the Cuban sugar industry while the present regime remains in power. Accordingly, we recommend that the reservation for Cuba be stated as a flat amount without benefit of growth accumulation. Mr. Chairman, I ask that exhibit I, which contains a detailed projection of the proration formula fixed by the bill, be set forth at this point in my remarks.

The CHAIRMAN. Without objection, that may be done.

(Exhibit I follows:)

EXHIBIT I

Basic sugar quotas and prorations under H.R. 11730, as introduced in the House

Item	1962 [1]	1963	1964	1965	1966	1967 [1]
Assumed requirements	9,700,000	9,850,000	10,000,000	10,150,000	10,300,000	10,450,000
Domestic areas (total)	5,810,000	5,904,500	5,999,000	6,093,500	6,188,000	6,282,500
Balance for foreign areas	3,890,000	3,945,500	4,001,000	4,056,500	4,112,000	4,167,500
Philippines	980,000	980,000	980,000	980,000	980,000	980,000
Canada, United Kingdom, and others	1,416	1,416	1,416	1,416	1,416	1,416
Foreign areas (other than above)	2,908,584	2,964,084	3,019,584	3,075,084	3,130,584	3,186,084
Cuba (88.85 percent)	2,584,277	2,633,589	2,682,900	2,732,212	2,781,524	2,830,836
Peru (3.73 percent)	108,490	110,560	112,630	114,701	116,770	118,841
Dominican Republic (3.31 percent)	96,274	98,111	99,948	101,785	103,622	105,459
Mexico (2.75 percent)	79,986	81,512	83,038	84,565	86,091	87,617
Nicaragua (0.54 percent)	15,704	16,006	16,306	16,605	16,905	17,205
Haiti (0.26 percent)	7,562	7,707	7,851	7,995	8,139	8,284
Netherlands (0.14 percent)	4,072	4,150	4,227	4,305	4,383	4,460
China (0.14 percent)	4,072	4,150	4,227	4,305	4,383	4,460
Panama (0.14 percent)	4,072	4,150	4,227	4,305	4,383	4,460
Costa Rica (0.14 percent)	4,072	4,150	4,227	4,305	4,383	4,460

[1] Full-year basis.

Mr. PURCELL. An example of the kind of results which might follow from the approach we have suggested appears in exhibit II to this statement. We do not necessarily intend exhibit II as a definitive proposal for dealing with prorations of sugar among foreign suppliers, but offer it primarily for illustrative purposes to indicate the possibilities under a curtailment of the Cuban reservation. You will note that in addition to reserving 1,500,000 tons for Cuba, we have suggested the allotment of 25,000 tons—again on a nongrowth basis—to provide quotas to such foreign producing countries as the committee, in its judgment, may find to be advantageous sources of supply in addition to those which have met this responsibility in the past.

As you will see, this table proposes the assignment of the foreign participation in the growth of U.S. requirements to what we might call the traditional suppliers. To the extent that new suppliers do not appear to the committee to qualify, their allotment can either be reserved to Cuba, or assigned to the present quota countries. The prorations among these countries have been made on the same relative

basis as that proposed by the administration bill. May I ask that exhibit II be included at this point in my remarks.

The CHAIRMAN. Without objection, that will be included in the record at this point.

(Exhibit II follows:)

EXHIBIT II

Sugar quotas and proration under H.R. 11730 reserving 1.5 million tons for Cuba and ¼ million for new suppliers

[Short tons, raw value]

	1962 [1]	1963	1964	1965	1966	1967 [1]
Assumed requirements	9,700,000	9,850,000	10,000,000	10,150,000	10,300,000	10,450,000
Domestic areas (total)	5,810,000	5,904,500	5,999,000	6,093,500	6,188,000	6,282,500
Balance for foreign areas	3,890,000	3,945,500	4,001,000	4,056,500	4,112,000	4,167,500
Philippines	980,000	980,000	980,000	980,000	980,000	980,000
Cuba	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
New suppliers	250,000	250,000	250,000	250,000	250,000	250,000
Canada, United Kingdom, and others	1,416	1,416	1,416	1,416	1,416	1,416
Foreign areas (other than above)	1,158,584	1,214,084	1,269,584	1,325,084	1,380,584	1,436,084
Peru (33.45 percent)	387,546	406,111	424,676	443,240	461,805	480,370
Dominican Republic (29.67 percent)	347,752	360,219	376,685	393,152	409,619	426,086
Mexico (24.66 percent)	285,707	299,393	313,079	326,766	340,452	354,138
Nicaragua (4.89 percent)	56,655	59,369	62,083	64,797	67,510	70,225
Haiti (2.33 percent)	26,995	28,288	29,581	30,874	32,168	33,461
Netherlands (1.25 percent)	14,482	15,176	15,870	16,564	17,257	17,951
China (1.25 percent)	14,482	15,176	15,870	16,564	17,257	17,951
Panama (1.25 percent)	14,482	15,176	15,870	16,564	17,257	17,951
Costa Rica (1.25 percent)	14,842	15,176	15,870	16,564	17,257	17,951

[1] Full-year basis.

Mr. PURCELL. (3) With respect to direct-consumption sugar, we urge a modest relaxation in the limitations proposed so as to have a less drastic effect on countries such as Nicaragua which have traditionally entered limited amounts of such sugar. The effect of the administration bill is to accelerate the trend which has developed over the years, sharply curtailing direct-consumption imports. Under the bill, Peru, the Dominican Republic, Mexico, and Nicaragua would, for 1963 and subsequent years, be permitted to enter only an aggregate of approximately 40,000 to 43,000 tons of direct-consumption sugar in the same ratio as each such country's proration bears to the total of their basic quotas. For Nicaragua the result would be to limit direct-consumption imports to about 2,100 tons for 1963 as compared with 11,208 tons for the year 1962 under the provisions of existing law. Paradoxically, under the bill, Haiti, the Netherlands, China, Panama, and Costa Rica would be permitted to fill their entire quotas, ranging from some 4,000 to 7,500 tons, with direct-consumption sugar.

We urge, therefore, that in approaching the direct-consumption sugar problem, the guiding principle be to maintain substantially intact the pattern of existing legislation, for countries other than Cuba. At the present time, with estimated total U.S. requirements of 9,700,000 tons, direct-consumption sugar admissible within the quotas of foreign countries other than Cuba and the Philippines amounts to 71,808 tons. This consists of approximately 48,000 tons for Peru, the Dominican Republic, Mexico, and Nicaragua, and some 24,000 tons for countries with quotas under 7,000 tons, namely Haiti, the Netherlands, China, Panama, Costa Rica, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong. This aggregate of 71,808 tons of direct-consumption sugar amounts to 2.467 percent of the aggregate allotment for foreign areas other than the Philippines. Accordingly, we recommend that the legislation provide for a total of direct-consumption sugar at this percentage, and that such aggregate amount be allocated among each country presently entitled to enter direct-consumption sugar in the same ratio that each such country's permissible direct-consumption allotment bears to the total under existing legislation. The results of this approach are set forth in exhibit III to this statement, which I also ask be set forth at this point in my remarks.

The CHAIRMAN. Without objection, that will be made a part of the record at this point.

(Exhibit III follows:)

EXHIBIT III

Proposed proration of direct-consumption sugar to foreign countries

	1962 [1]	1963	1964	1965	1966	1967 [1]
Foreign areas	2,910,000	2,965,500	3,021,000	3,076,500	3,132,000	3,187,500
2.467 percent thereof	71,808	73,159	74,528	75,897	77,266	78,636
Peru (14.91 percent)	10,496	10,697	10,901	11,316	11,520	11,725
Dominican Republic (13.29 percent)	9,356	9,535	9,716	10,009	10,269	10,451
Mexico (24.15 percent)	17,000	17,326	17,656	18,329	18,660	18,990
Nicaragua (15.92 percent)	11,208	11,421	11,639	12,083	12,301	12,519
Haiti (9.94 percent)	7,000	7,131	7,267	7,544	7,680	7,816
Netherlands (5.60 percent)	3,940	4,018	4,094	4,250	4,327	4,404
China (5.40 percent)	3,802	3,874	3,948	4,098	4,172	4,246
Panama (5.40 percent)	3,802	3,874	3,948	4,098	4,172	4,246
Costa Rica (5.39 percent)	3,792	3,867	3,941	4,091	4,165	4,238
Canada, United Kingdom, and others	1,416	1,416	1,416	1,416	1,416	1,416

[1] Full-year basis.

Mr. PURCELL. Our opposition to import fees expressed earlier goes also to the additional graduated fee proposed in section 10 of the bill on imports of direct-consumption sugar. I think I should also point

out that (in Nicaragua's case, the ability to export direct consumption sugar will continue to be of great importance for the next few years. It was not until about 1956 that Nicaragua began to install refinery equipment to produce raw sugar, and since that time its expansion has been principally in such facilities in order to meet the demands of the export market. A little more time will be required in order to effect a balance of refining facilities which will permit the producers to fill their export commitments with raw sugar.

Let me turn now to the considerations in support of the suggestions which we make insofar as they affect Nicaragua.

First, we seek a basic quota of at least 50,000 tons plus an equitable participation in the foreign share of the growth in U.S. requirements, which, in our tables, we have assumed at a total of 150,000 tons per year. As indicated by exhibit II, the relative participations for foreign countries other than the Philippines and Cuba provided under H.R. 11730 would produce such a quota for Nicaragua if the Cuban reservation were curtailed as we have suggested. If an approach along these lines is not taken by the committee, we would ask that adjustment be made in these percentages prorations in such a manner as to give Nicaragua a basic quota of like amount.

It is not unreasonable for Nicaragua to make such a request in the light of its historical participation in the U.S. sugar program. Its present-day position as reflected in the Nicaraguan proration fixed by the bill is due to an unfortunate participation assignment under the 1956 amendments. Nicaragua, together with the Dominican Republic, Mexico, and Peru, was one of the four largest Western Hemisphere foreign suppliers other than Cuba, at the time of the 1956 quota revisions. While it was the smallest of the four, its basic quota (8,001 tons) was only slightly below that of Mexico (11,259 tons). However, for some unexplained reason, its participation in the post-1956 growth of the U.S. sugar requirements was limited to approximately one-half of 1 percent, while the participation of the other three ranged from more than 4 to 5 percent. As a result, Nicaraguan producers have been prevented during the intervening years from expanding their production consistent with their ability to do so.

On the basis of its present-day relative participation in the U.S. market of just under 5 percent of the fixed quotas for foregn countries other than Cuba and the Philippines, Nicaragua should be accorded a new basic quota of the foreign supply, at the U.S. price, of at least 50,000 tons per annum. Furthermore, Nicaragua's participation in

the growth of the U.S. market over the period of the new extension of the act should be more nearly in accord with its potentialities for increased production of 10,000 tons or more per year.

Nicaraguan producers are prepared to make the investments necessary for such increases if they have assurance on a long-term basis that their exportable surplus can be sold in the U.S. market at the U.S. price. Without such assurance they must, as they have in the past, approach the planning of their sugar crop with considerable restraint.

During recent years Nicaragua's sugar production increased from some 35,000 tons in 1956 to just under 70,000 tons in 1961. I would like to mention that in 1961 anticipated production of 80,000 tons failed to materialize due to extremely severe and unusual weather conditions which caused heavy floods in the Chinandega Department. Production for 1962 is estimated at 87,500 to 90,000 tons while domestic consumption is expected to be on the order of 40,000 tons.

In anticipation of an increasing U.S. demand for sugar, Nicaragua has during the past years made large capital investments enabling it to make substantial exports of sugar. Total investment in the sugar industry today aggregates approximately $26,500,000. Furthermore, Nicaragua has, since July of 1960, participated to the fullest extent possible consistent with its productive capacity in supplying the volume of sugar made unavailable to the United States due to the political upheaval in Cuba.

Sugar is Nicaragua's third most important industry, and in recent years sugar exports have constituted about 15 percent of the total exports of that country to the United States. Currently the sugar industry directly employs over 9,000 people—approximately 6,500 in the canefields and approximately 2,700 in milling operations. This means that, including dependents, some 50,000 Nicaraguans derive their support from the sugar industry. To an ever-increasing extent sugar operations are conducted by independent sugar growers. At the present time, Nicaragua's seven sugar mills purchase about 52 percent of all their cane supplies from more than 600 independent farmers, whose landholdings range in size from 2 acres to 200 acres and average approximately 35 acres.

The sugar industry is a leader in the field of welfare improvement in Nicaragua. At least 70 percent of the revenue received by the Nicaraguan sugar industry during the past 2 years went directly to its workers, either as wage increases or improvements in living conditions, including new housing for workers. Included in the cost of production of Nicaraguan sugar is approximately 40 cents per 100 pounds

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which is spent directly for employee benefits which include provision for paid vacations and holidays, free medical care and free medicines.

Present-day wages and salaries in the sugar industry rank first among the major agricultural industries of Nicaragua. Sugar farmworkers' wages have been increased to a level of $1.70 to $2.57 per day for farmworkers, while mill workers' compensation ranges from $2.30 a day for day laborers to $7.15 a day for first-class mechanics.

An increased share of the U.S. sugar market will continue to produce substantial social and economic benefits for Nicaraguan workers. Assurance of such a share through an enlarged quota allocation in this legislation—without the imposition of import fees—will make this possible.

During the years 1960 and 1961 the industry also invested $1,200,000 to increase the efficiency and capacity of its mills with the sole object of supplying the U.S. domestic sugar needs. This sum, plus an additional amount of $1,300,000 for maintenance and operation represented a reinvestment of proceeds derived from the sale of sugar to the United States during that period.

The sugar industry's contribution, significant as it is, is but a part of a larger national program of internal economic and social improvement. For more than 10 years Nicaragua has been implementing the recommendations in this area made by the International Bank for Reconstruction and Development. Also, in accordance with the principles of the Punta del Este Charter, the President of Nicaragua has this year submitted to the Congress a series of proposed laws designed to accelerate the pace of fiscal, social, and economic reform among which is included a progressive land reform bill.

These projects require financing and their cost must be defrayed out of resources, public or private, within the country. Basic to the creation of such resources—other than loans or foreign assistance, such as has been proposed under our Alliance for Progress program—is international trade. Nicaragua is a proud nation and prefers to pay its own way. To do so it must create a favorable balance of trade, and its chief customer is logically the United States.

The close trading partnership which has traditionally existed between the United States and Nicaragua is well known. In every year but one since 1925, the United States has supplied more than one-half of Nicaragua's total imports and for the 30 years prior to 1953, the United States annually purchased 50 percent or more of Nicaragua's total exports. As to the balance of trade between the

two countries, during the past 10 years the balance of trade has been consistently favorable to the United States and unfavorable to Nicaragua, as can be seen from exhibit IV to this statement, which I ask be included in my remarks at this point.

The CHAIRMAN. Without objection that will be made a part of the record at this point.

(Exhibit IV follows:)

EXHIBIT IV

Nicaragua—Balance of trade; trade with United States[1]

[Thousands of dollars]

Year	Total trade			Trade with United States				
	Imports	Exports	Balance of trade	Imports	Percent of total	Exports	Percent of total	Balance in favor of United States
1952	39,710	51,333	+11,623	28,330	71.34	27,149	52.89	−1,181
1953	43,551	54,506	+10,955	28,297	64.97	24,840	45.57	−3,457
1954	58,306	62,775	+4,469	37,915	65.03	28,608	45.57	−9,307
1955	69,646	80,022	+10,376	45,402	65.19	30,249	37.80	−15,153
1956	68,814	65,077	−3,737	43,161	62.72	25,167	38.67	−17,994
1957	80,914	71,209	−9,705	47,070	58.17	27,830	39.08	−19,240
1958	77,945	71,086	−6,859	42,804	54.92	26,151	36.79	−16,653
1959	66,841	72,192	+5,351	34,767	52.01	19,216	26.62	−15,551
1960	71,712	62,871	−8,841	37,746	52.63	26,872	42.74	−10,874
1961	74,400	62,500	−11,900	[2] 26,900	----------	[2] 22,700	----------	−4,200

[1] Source: Department of Commerce and International Monetary Fund: Prior to 1955, imports are valued f.o.b.; since then, they are valued c.i.f.

[2] For the 10-month period ended Oct. 31, 1961.

Mr. PURCELL. Nicaragua has had increasing problems with its balance of payments since 1956. The drain on its foreign exchange reserves became so acute in 1958 as to necessitate resort to drawings on the International Monetary Fund. Needless to say, dollars earned through the exportation of sugar to the United States are urgently needed to enable Nicaragua to continue its purchases of commodities and manufactured articles in the United States, and to alleviate its balance of payments problem.

The trading partnership of which I have just spoken is only one aspect of a larger association between the two countries. Nicaragua and the United States are bound together in a working relationship based on mutual respect and dedicated to common objectives of world and hemisphere peace and the strengthening of democratic institutions. It is hardly necessary for me, Mr. Chairman, to detail for the members of this committee Nicaragua's record of steadfast loyalty to the United States in every international forum, including the United Nations and the Organization of American States, and its continuing support of U.S. policies, not only in the Western Hemisphere but elsewhere.

Nicaragua is a logical source of sugar for the United States, not only on the basis of continuing friendly relations—past, present and future—but because of its geographic situation. By sea, it is convenient to the major ports of the United States; by land, it has access to U.S. shipping centers over the new Inter-American highway between the two countries which could be of critical importance in times of international emergency.

We ask your earnest and favorable consideration of Nicaragua's views on the pending bill and of the position which it seeks in the U.S. sugar program.

I thank you, Mr. Chairman and members of the committee, for the privilege of appearing here today and for your patience and courtesy in listening to our presentation.

The CHAIRMAN. We thank you very much, Mr. Purcell, for your fine statement. Are there any questions? If not, the committee stands in recess until 2 o'clock this afternoon.

(Whereupon, at 12:10 p.m., the committee recessed, to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order, please.

We are glad to have you Mr. Quinn and Sir Robert Kirkwood as your companion and associate. We will be glad to hear you now, sir.

STATEMENT OF ARTHUR L. QUINN, COUNSEL FOR THE BRITISH WEST INDIES SUGAR ASSOCIATION, ACCOMPANIED BY SIR ROBERT KIRKWOOD

Mr. QUINN. Mr. Chairman and members of the committee, I think that before we get into the subject of sugar in which there is pretty tough competition today, I should like to say that I understand they have found the astronaut. I think he is more important to us than all of the sugar and everything else.

The CHAIRMAN. That is right.

Mr. QUINN. Mr. Chairman and members of the committee, my name is Arthur L. Quinn. I am appearing on behalf of the British West Indies Sugar Association. The sugar produced by the members of this association is located in the following areas: Antigua, Barbados, Grenada, Jamaica, St. Kitts, St. Lucia, St. Vincent, and Trinidad, all island areas in the Caribbean, and British Guiana, which is located on the northeastern shoulder of South America.

I would like to state at the outset that the association I represent is opposed to H.R. 11730. The foremost and most important reason for our opposition is based on the fact that it contains no provision for new Western Hemisphere countries to enter and participate in the

U.S. sugar market. The British West Indies would also strongly object to the so-called phaseout provisions relating to the price paid for foreign sugar other than that from the Philippines. The only bill insofar as the foreign quota provisions are concerned before your committee we could support is the Abernethy bill, H.R. 11725.

The British West Indies—the British territories in the Caribbean now about to become independent, forming the group whose interests in relation to the sugar industry are combined in the British West Indies Sugar Association—extend in an arc of islands from Jamaica in the north down to Trinidad in the south and the mainland territory of British Guiana on the coast of South America. All of you have before you a small map showing the areas I speak for.

I think all of you have or should have a map before you showing the areas I represent. They appear in pink color, with the exception of British Honduras which is not in the group that I represent. Incidentally, attached to this map are two tables or schedules showing the Government expenditures per head of the population in certain sugar-producing countries for the years 1957–60, taken from "the Statesman's Yearbook—1961," and the second schedule shows the figures relating to the year 1960, the number of cane farmers and small holders, the numbers directly employed by the industry; that is, the sugar industry, and the number employed by cane farmers, the total number employed in these various islands, the national income for sugar and the gross income of the domestic product of the territory and the exports.

We thought that compiled as this schedule is, it would be very helpful to the committee.

(The two tables referred to follow; the map may be found in the committee files.)

Government expenditure per head of the population in certain sugar-producing countries for the years 1957–60

[From The Stateman's Year Book, 1961]

Countries	Population	Government expenditure per head of the population			
		1957	1958	1959	1960
Nicaragua	1,450,349, estimated 1959	$25.56	$25.56	$25.56	----------
Haiti	4,000,000, estimated 1960	8.52	8.52	8.52	$8.52
Colombia	14,446,580, estimated 1961	11.36	14.20	17.04	14.20
Brazil	65,743,000, estimated 1960	14.20	17.04	17.04	22.72
Mexico	34,625,903, census June 7, 1960	19.68	31.24	34.08	22.72
Philippines	24,012,000, census Feb. 15, 1960	19.68	22.72	19.68	22.72
Peru	10,524,000, estimated 1959	17.04	19.68	22.72	25.56
Dominican Republic	4,070,108, census 1960	36.92	34.08	36.92	31.24
British Guiana	557,960, estimated 1959	45.44	48.28	48.28	51.12
Jamaica	1,606,546, census Apr. 7, 1960	42.60	56.80	65.32	65.32
Trinidad	825,700, census 1960	65.32	90.88	119.28	133.48

British West Indies Sugar Association (Inc.)—The sugar industry in the economy of the West Indies and British Guiana

[Figures relate to the year 1960. Values in $(BWI): $1(BWI equals approximately 60 cents U.S.]

Territory	Number of cane farmers and small holders	Employment					National income			Exports		
		Numbers directly employed by sugar industry	Numbers employed by cane farmers (excluding self-employed small holders)	Total numbers employed under (2) and (3)	Total labor force of territory	Percentage (4) of (5)	Total value of sugar, molasses, and rum produced	Total gross domestic product of territory	Percentage (7) of (8)	Total value of exports of sugar, molasses, and rum	Total value of all exports	Percentage (10) of (11)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Antigua	4,000	7,500	----------	7,500	12,000	62	$4,009,000	$17,100,000	23	$3,276,000	$3,756,000	87
Barbados[1]	16,000	21,000	[2]	21,000	100,000	21	35,000,000	100,000,000	35	32,254,000	40,120,000	80
British Guiana	1,616	[3] 22,409	----------	22,409	[3] 213,000	10	68,000,000	225,000,000	30	64,000,000	[4] 125,000,000	51
Jamaica	27,720	36,633	25,000	61,633	[5] 650,000	9	83,500,000	1,135,821,000	7	71,079,000	[6] 278,880,000	25
St. Kitts	----------	7,400	----------	7,400	10,500	70	9,136,000	10,000,000	91	7,241,000	10,147,000	71
St. Lucia	700	2,200	600	2,800	35,000	8	1,587,000	28,000,000	6	726,000	6,000,000	12
Trinidad	11,233	[7] 17,494	[8] 40,000	57,494	[9] 293,800	20	45,684,500	896,300,000	5	39,283,000	[10] 494,400,000	8
West Indies and British Guiana	61,274	114,636	65,600	180,236	1,314,300	14	246,916,500	2,432,221,000	10	217,859,000	958,303,000	23

[1] Many of the 16,000 small holders in col. (1) also gain employment on estates but the figures are not known. The total employment figure in col. (4) is higher than 21,000 but by how much is not known.

[2] Weekly average, excluding clerical workers, etc.

[3] Including approximately 37,000 unemployed.

[4] Includes $29,500,000 worth of bauxite; if this is omitted, percentage (10) of (11) becomes 68 percent.

[5] Includes estimated 90,000 unemployed and additional 140,000 unemployed for about half the year.

[6] Includes $79,843,000 worth of alumina and $52,258,000 worth of bauxite; if these are omitted, percentage (10) of (11) becomes 48 percent.

[7] Duty paid, task, and pieceworkers only and does not include fortnightly paid, clerical and supervisory employees nor these employed by contractors. Figures do not include rum industry.

[8] Estimate only.

[9] Include 68,800 not at work and unemployed; 225,000 persons were at work.

[10] Includes $392,600,000 worth of petroleum products if this is omitted, percentage (10) of (11) becomes 39 percent.

The islands of the group are interspersed between the Republics of Cuba, Haiti, and Dominican Republic; the U.S. territories of Puerto Rico and the Virgin Islands, the French islands of Guadeloupe and Martinique, and several small Dutch islands.

The strategic importance of West Indies—U.S. bases agreements. The West Indies thus form an important strategic chain in the middle of the Western Hemisphere, the vital importance of which to the defense of the United States and the whole hemisphere was recognized by the signing of the Bases Agreement between the United States and British Governments during World War II, to provide military bases in Jamaica, Antigua, St. Lucia, Trinidad, and British Guiana. In 1961 the Bases Agreement was renegotiated by the U.S. Government directly with the territories concerned for a 17-year period (which brings those right up to 1978), thus these territories have declared themselves firmly on the side of the United States in the cold war.

Being on the very doorstep of independence, the international political significance of the areas I represent is easily recognizable. I refer to the four potential votes in the Organization of American States as well as in the United Nations with the imminent independence of Jamaica, come August 6, 1962; the anticipated independence of Trinidad later this year; the ultimate independence of British Guiana; and the fourth vote to come from an Association of Island Governments comprised of Antigua, Barbados, St. Kitts, St. Lucia, and St. Vincent.

By invitation, the West Indies were represented at the meeting of the Organization of American States at Bogota in 1960, and they have indicated that, on attaining independence, they will seek membership in the OAS.

I submit, the potential voting strength of these four political entities, on attainment of independence—not only in the OAS but also in the United Nations—is worthy of note and recognition by this committee. It is realized this committee is not charged with making foreign policy for the United States, but the action this committee takes on sugar, a commodity so vital to the economy of the British West Indies, will be of tremendous importance particularly in the transition period that lies ahead for all of these areas, from that of dependencies, to that of a free and independent status, eventually to take their places in the legislative councils of the world.

I cannot recall when new independent areas last came into being in this hemisphere, and I believe their independence may prove of great importance to the United States in the years ahead.

All the territories enjoy a fully democratic form of government, with universal adult suffrage and governments wholly elected by the people in free elections. Government policy is in the hands of "cabinets", formed from the elected members of the majority political party in power in the parliaments.

The territories are multiracial societies, who have integrated themselves into the West Indian scene. They have a record in the field of race relations of which they are justifiably proud, and they have repeatedly been congratulated by world political leaders as an example of how harmony can be achieved in a multiracial society.

Labor in the British West Indies is highly organized. In the sugar industry, as in other industries, the trade union system has been functioning for over two decades, and the normal processes of wage agreements, conciliation, arbitration and the like have for long been a familiar pattern in the field of industrial relations.

The area can therefore claim to have reached the stage of full consultation and negotiation in industrial relations along the lines of the modern patterns of the larger countries of the free world and, in these circumstances, labor shares virtually automatically in any increased revenues that accrue to the industry. This statement would be supported by the AFL–CIO and President Meany has so advised the Secretary of Agriculture, Orville Freeman.

In all the territories of the area, a levy is imposed on sugar for the welfare of the workers in the industry, including provision for housing schemes, pensions, medical services, community centers and playing fields, amounting to some millions of dollars annually.

With freely elected governments on the democratic model, an absence of upheavals and uprisings against established government, and industrial relations conducted on the democratic lines of the free world, the West Indies can claim to be a great stabilizing influence in the Caribbean area and a bulwark against the infiltration of communism into the Western Hemisphere.

It is important to observe that as both Secretary of State Dean Rusk and Mr. Moscoso, Administrator for the Alliance for Progress program have emphasized U.S. assistance directed toward the provision of housing schemes, education, water supplies, medical and social services, and so on through the Alliance for Progress will be of little avail if the people themselves cannot find gainful employment.

Some of the above problems are sketched in the following paragraphs. Without a solution to the problem, and without assistance in the solving of them, there is grave danger of a deterioration in the stabilizing influence which these territories have in the Caribbean.

In 1960 the population of the member territories of the British West Indies Sugar Association was 3,853,000, with an overall density of just over 400 to the square mile. Herewith are some comparative figures on population densities in the Caribbean and Latin America:

	Persons per square mile		*Persons per square mile*
Barbados (British West Indies)	1,398	Cuba	147
Trinidad (British West Indies)	443	Mexico	45
Jamaica (British West Indies)	364	Brazil	20

By far the most serious problem facing the British West Indies is the rapid increase in population, and the need for every step to be taken to provide employment for the ever-increasing number of school-leavers annually. The frightening nature of the problem is indicated by the population figures in the last decade, and the estimates for the future:

1952	3,210,000
1960	3,853,000
1970 (estimated)	5,269,000

Since 1952, therefore, the population has increased by some 20 percent. By 1970 it is estimated that there will have been an increase of over 60 percent in 18 years.

Determined and continuous efforts have been made to provide additional means of employment and these are referred to in the following paragraphs.

In an attempt to diversify the economy and to provide additional avenues of employment outside of agriculture, all the Governments have given full encouragement to industrialization, within the limits imposed by local raw materials, local markets and other chances of success. Every encouragement has also been given in all territories to the development of the tourist industry, and Jamaica, Barbados, Antigua, and Trinidad are well known as holiday resorts to the people of North America.

All economists who have advised upon the economic development of these territories have emphasized that sugar must provide the firm structure on which industrialization can be built and expanded—the sugar industry acting in the role of the main employer in many territories, and the newly established industries playing a complementary part in helping to absorb the numbers added yearly to the labor market.

The stark fact is that no less than 18 percent of the labor force in these territories is directly employed in the sugar industry.

A common criticism of Latin American countries is that the most prosperous elements in the community make no effort or sacrifice to build up the economy of their own countries or to help the poorer classes. This is certainly not true of the British West Indies, where taxation on personal and company incomes is levied at high rates, and taxes are collected. In Jamaica, for example, company income tax is at the rate of 40 percent. Company taxes in the other territories are on a similar scale. In three territories, export duties are levied on all export sugars. The direct levy on sugar for the benefit of workers in the industry has already been mentioned.

In addition to these direct taxes on the industry, government revenues derive considerable benefits from personal income taxes on employers and shareholders in the industry. Attached is a table which compares the rates of income tax in Jamaica with rates in the United Kingdom and the United States.

And at the end of my statement is a table giving those rates. And as a matter for the record, income tax structures in Jamaica is higher than in the United Kingdom, and in the United Kingdom it is higher than in the United States.

I am sure Teodoro Moscoso, Administrator for the Alliance for Progress program would find fully functioning in the British West Indies today, all the reforms and measures the United States would like to find in all Latin American countries in order to make the Alliance program workable and successful. The tax laws and other progressive laws in the West Indies assures filtering down to the masses of the benefits that come, be it from trade, aid or an assured place in the sugar market of the United States.

The sugar industry has been the mainstay of the economy of the British West Indies for centuries.

In some of the territories the sugar industry represents virtually the whole source of revenue and the productive capacity of the area, while in the others it provides a considerable part of the national income and government revenue. The sugar industry provides the

means of sustenance and a livelihood for about one-quarter of the total population of the areas represented by the British West Indies Sugar Association.

There are several sound reasons for this dependence on sugar. Unlike Cuba, Mexico, Brazil, etc., the area of cultivable land is scarce relative to population, as shown in the table previously given. The West Indies can never feed themselves from the land. It is only by selling sugar at premium prices that they can import wheat, flour, and other staples to feed themselves.

Of vital importance to the sugar industry and to the West Indies as a whole are the thousands of cane farmers and smallholders, all supplying cane to the factories and all having a vital stake in the industry. There are some 11,200 cane farmers in Trinidad, who supplied some 40 percent of the crop in 1961. In 1960, over 20,000 cane farmers in Jamaica supplied some 50 percent of the crop. In all the territories' smallholders—in the West Indies, as elsewhere, a bulwark against communism—form an important part of the structure of the industry; thousands of holdings are as small as 1 acre, comparatively few cane farms are in excess of 100 acres. The price of cane purchased by the factories is in some territories fixed by legislation, and in others by annual negotiations between associations representing the growers and the factories. The method of calculating the price paid to the farmers for cane insures that the farmer benefits automatically from any increase in the price received for sugar.

The marketing of sugar from the area is controlled by the quota system under the International Sugar Agreement—although these quotas are at present in abeyance—and the Commonwealth Sugar Agreement. Under the Commonwealth Sugar Agreement the British West Indies Sugar Association has a basic export quota of just over 1 million short tons of sugar a year, which can be exported to the markets of the United Kingdom and Canada.

In addition to the above Commonwealth quotas there is available to the British West Indies Sugar Association an international quota of 85,000 short tons for shipment to the world market. But as the current so-called world price is about $50 per ton below production cost in the West Indies—and in most sugar-producing countries—this outlet is not an effective one.

Unlike more fortunate countries, our territories have a very small home market for sugar in relation to total production. Whereas, for example, Brazil consumes 2½ million and Mexico over 1 million short tons, the British West Indies Sugar Association territories together consume only 150,000 short tons. Yet the per capita consumption in our areas is higher than in the larger countries.

The British West Indies is not seeking greatly expanded markets as a result of a planned expansion of sugar production. Indeed expansion in the area is modest in comparison with that which has taken place in most sugar-producing territories; some of which were, fairly recently, importing territories, but which now claim large export quotas. That the British West Indies Sugar Association territories are now faced with a surplus production, equivalent to 25 percent of their exports, is due in the main to increased efficiency, higher yields, and greater production by cane farmers who have no alternative crops.

The following figures showing the relative degree of expansion of production in two larger countries are significant—

	Percent expansion of production, 1954–61
British West Indies	20.2
Brazil	53.9
Mexico	65.4

The so-called world price is really the price which exporting countries can obtain for sugar which is surplus to the tonnages moved under commodity agreements, such as, for example, the Commonwealth Sugar Agreement and the arrangements for marketing sugar between the United States and Hawaii, the Philippines, Puerto Rico, and the Virgin Islands and, until recently, with Cuba and the Dominican Republic; and of course, the highly subsidized surpluses of the European beet sugar producers. The so-called world price affects a very small proportion of the total exports and imports of sugar in the world—some 7 million tons out of a total of 55 million—and can, with justice, be regarded as a "dumped" price for sugar which cannot be disposed of by other means. No country in the world, even those countries paying far lower wages than the British West Indies, could produce sugar at the present so-called world price.

If all the world markets for sugar in the world were opened freely to competitive trading, the British West Indies Sugar Association territories would have no fears of their ability to compete in world markets at ruling prices. Indeed, if all subsidies and other forms of protection were abolished the member territories of this association would be able greatly to expand production in direct competition with other sugar producers.

In this regard it is relevant to note that as recently as December 1, 1961, Secretary of State Dean Rusk, addressing a luncheon meeting of the National Conference on International Economic and Social Development, stated:

> There is no sense whatever in taxing Americans for foreign aid if we meanwhile pursue trade policies which undermine the prospects for economic development. It should also be remembered that a drop of a few cents in world commodity prices could wipe out any contribution we might make through our aid toward helping the underdeveloped country concerned.

By their geographical position, the British West Indies are well placed to supply raw sugar to the U.S. refiners and especially to those on the eastern seaboard. The major exporting territories now have up-to-date mechanical bulk-loading facilities for the efficient turnaround of ships and adequate storage facilities for raw sugar at the ports. Our sugar is thus available to the United States virtually throughout the year.

In relation to their size, the British West Indies constitute an important and expanding trade outlet for U.S. goods. The latest figures of the U.S. Department of Commerce for 1959 show that U.S. exports to the British West Indies totaled over $157 million and for 1960 in excess of $190 million.

I am sure the figures for 1961 when available will show an increase above 1960. It is to be expected that the exports of U.S. goods to the British West Indies as independent areas, will increase from year to year in the period ahead.

About 10 days ago in New Orleans, La., President Kennedy said the United States must "trade or fade." Surely if this fact applies to the United States with its great diversity of industrial and agricultural interests, how much more applicable is the phrase to the British West Indies, where the very lifeblood of the area depends on trade and particularly on an assured outlet for its principal export crop—sugar.

The British West Indies Sugar Association is the fourth largest producer of cane sugar in the Western Hemisphere, ranging after Cuba, Brazil, and Mexico; and the seventh largest sugarcane-producing area in the world, ranking after Cuba, Brazil, India, Mexico, the Philippines and Australia.

The British West Indies Sugar Association appreciates that the United States, in determining its sugar quotas, must give prior consideration to the continental cane and beet sugar producers, and also to the cane sugar industries of the U.S. territories abroad, and the countries which have been traditional suppliers of raw sugar under the Sugar Act. What the association is seeking is a permanent sugar quota under the Sugar Act in the event that the U.S. Congress deems it advisable to broaden and diversify the sources of Western Hemisphere supply to the U.S. market. The association bases its case on the considerations set out in this paper, which in summary are as follows:

(1) The fact that these economically backward territories in the Caribbean are now on the threshold of independence from colonial rule which has consistently been advocated by successive U.S. Governments and by popular opinion in this country.

(2) The strategic value of the British West Indies to the United States as signatories to the 17-year U.S. Bases Agreement (signed only last year).

(3) The diplomatic and international political value of these countries to the United States both as potential members of the OAS and of the United Nations.

(4) The need to retain the political and socially stabilising influence within the Caribbean of these working democracies and to sustain democratic institutions, and strengthen the hand of democratic leaders, in these countries.

(5) The importance of encouraging countries which are setting the world a most heartening and inspiring example in the field of race relations.

(6) The fact that the sugar industry of the British West Indies provides sustenance and a livelihood for approximately one-quarter of the population of these areas, and is therefore of prime importance to the economic stability of these territories.

(7) The economic and strategic advantage of a diversification of foreign sugar supplies available to the eastern seaboard of the United States.

(8) The present and potential value to the United States of the British West Indies Sugar Association territories as an outlet for U.S. exports.

(9) The serious consideration that if the United States does not accord to the British West Indies Sugar Association an outlet for its surplus sugar, at a price covering production cost, the industry

will have to curtail production by between 20 to 25 percent, with serious consequences to tens of thousands of workers and small farmers; and that the resulting social upheaval would certainly afford opportunities for antisocial and undemocratic elements to promote unrest throughout the area.

Thank you very very much, Mr. Chairman and members of the committee.

(The "Tax table 1" follows:)

TAX TABLE 1.—INCOME TAX RATES ON PERSONAL INCOMES IN JAMAICA COMPARED WITH THE UNITED KINGDOM AND THE UNITED STATES

(a) Income tax as a percentage of gross income

[Earned income, married man with 2 children under 11 years]

Income (in U.S. dollars)	Jamaica	United Kingdom	United States
2,800	5.30	7.71	0.9
5,600	17.85	18.85	9.45
8,400	25.63	22.60	12.56
14,000	35.64	26.48	16.82
28,000	52.69	38.84	25.21
56,000	63.85	59.81	39.02

(b) Taxes on selected incomes

[Earned income, children under 11 years. In U.S. dollars]

Income	Single			Married, no children			Married, 2 children		
	Jamaica	United Kingdom	United States	Jamaica	United Kingdom	United States	Jamaica	United Kingdom	United States
$2,800	$284	$538	$386	$213	$428	$266	$148	$216	$25
$5,600	1,260	1,380	955	1,126	1,271	767	1,000	1,056	529
$8,400	2,416	2,223	1,649	2,279	2,117	1,319	2,153	1,898	1,056
$14,000	5,250	4,032	3,573	5,116	3,923	2,668	4,990	3,707	2,355
$28,000	15,016	11,474	10,987	14,879	11,276	7,574	14,753	10,875	7,059
$56,000	36,016	34,236	30,120	35,879	33,986	22,596	35,753	33,491	21,851

Source: Peat, Marwick, Mitchell & Co., chartered accountants.

The CHAIRMAN. Thank you very much, Mr. Quinn.

On page 14 of your statement, at the end of the first paragraph, you indicate that the U.S. exports to the British West Indies totaled over $157 million for 1959 and in excess of $190 million for 1960.

Mr. QUINN. Yes.

The CHAIRMAN. Do you know what we purchased from the British West Indies in 1959 and 1960?

Mr. QUINN. In 1959, and in 1960, for that matter, I daresay that our purchases were negligible. In 1961 we did, through the allocation of nonquota, Mr. Chairman, ship into the U.S. market approximately 265,000 tons of sugar.

The CHAIRMAN. I know about that in 1961, but prior to that our purchases from the British West Indies were very small?

Mr. QUINN. That is correct.

The CHAIRMAN. In other words, we had a very favorable trade balance with the West Indies.

Mr. QUINN. You had a very, very favorable trade balance.

The CHAIRMAN. And we had the bases established there.

Mr. QUINN. You had those bases. I checked with the Department of State on this agreement, and it has been extended for a 17-year period which takes us into 1978.

The CHAIRMAN. And you have not had any allotment under the sugar program up until now?

Mr. QUINN. Correct, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Mr. POAGE. I wonder if you would give us a little explanation on a constitutional question regarding these countries. It is my understanding that there was organized a union or association.

Mr. QUINN. A federation.

Mr. POAGE. Of the British West Indies?

Mr. QUINN. Yes.

Mr. POAGE. The British Government encouraged that?

Mr. QUINN. Yes.

Mr. POAGE. Is British Honduras a part of that?

Mr. QUINN. Not in the federation—not British Honduras.

Mr. POAGE. As I understand it, Jamaica is going to get her independence shortly.

Mr. QUINN. It comes in August 1962.

Mr. POAGE. As a separate nation?

Mr. QUINN. Separate and distinct.

Mr. POAGE. Apart from the federation and quite apart from the rest of the British Commonwealth?

Mr. QUINN. Apart from any Federation but a member of the British Commonwealth.

Mr. POAGE. And the same thing will be true of Trinidad?

Mr. QUINN. Correct—later this year.

Mr. POAGE. And then British Guiana is expected to become an independent nation?

Mr. QUINN. That is correct.

Mr. POAGE. That brings or raises a point that I want to get to. I do not mind saying on the record that I think that we ought to purchase sugar from Trinidad and Jamaica and the Barbados, but is there any reason on earth why we should support a Communist type of government in British Guiana?

Mr. QUINN. My answer to that is this, first of all, my testimony is that this is a potential vote. Maybe Cheddi Jagen is a controversial figure.

Mr. POAGE. Just as controversial as Mr. Khrushchev.

Mr. QUINN. Mr. Jagan is over in London now trying to straighten himself out right now.

Mr. POAGE. We know where he stands.

Mr. QUINN. I try not to think of Jagan in terms of Jagan, but in terms of British Guiana. He is the Premier at the moment.

Mr. POAGE. And he has the people behind him?

Mr. QUINN. There is quite a split right down the middle in that regard, as regards the political situation in British Guiana. It is a situation that is in process now. We have a trade mission presently in British Guiana looking over the situation—that is, the United States has—to determine whether or not we should let them go or whether we should just make some overtures, in other words, should

we just toss them to the wind or should we give them some attention and time and see what develops there. I think that is exactly the way we should look at it, so far as British Guiana is at the moment.

Mr. POAGE. You would not thing that we ought to give them a sugar quota at the moment, would you?

Mr. QUINN. The answer is, yes, sir; not because I represent British Guiana.

Mr. POAGE. How much would British Guiana get out of it?

Sir ROBERT. Out of a joint quota——

Mr. QUINN. On a percentage basis.

Sir ROBERT. Out of a joint quota I would say, Mr. Chairman, about one-third, but if I might say a word, sir, I would point out this, in reply to Mr. Poage, if I may, Mr. Chairman, that we down in the West Indies who have a good deal of experience with Mr. Jagan realize, and I speak as someone who has been in politics, also, for about 20 years, that a politician's bark is often a lot worse than his bite. We do not anticipate any difficulties, sir, with Mr. Jagan. We feel that he has committed himself to the West. He is applying for membership in OAS. He is also committed to the democratic two-party system.

We feel that although he likes to go on reiterating that he is a Marxist, in fact, the actions that he has taken and is prepared to take are not consistent, in our opinion, with any indication that he would take the Russian line. That is our view.

I speak for the people who have sugar businesses and business interests in British Guiana. We feel that Jagan is a man who is misguided, but who can be kept within the fold. Don't forget, Jagan signed the American bases agreement in 1961.

What we do believe very sincerely is that unless some attempt is made seriously to assist him and to work with him, then we may have a situation in which he might go Castro's way. That is what we are all seeking to avoid.

The CHAIRMAN. You said that he was in London now?

Mr. QUINN. He is in London now?

Sir ROBERT. I think he is still in London.

Mr. QUINN. He is in London for constitutional conferences. The fact remains that he sent for British troops to come back to British Guiana to help him maintain law and order and preserve the constitution.

The CHAIRMAN. Did he ask for the troops to come in down there?

Mr. QUINN. Yes, sir.

The CHAIRMAN. Are they still there?

Mr. QUINN. They're still there.

Sir. ROBERT. Yes, sir. He asked for British troops to maintain his regime.

Mr. POAGE. Is it possible under your constitutional setup to have Jamaica, Trinidad, and the Barbados get separate quotas?

Mr. QUINN. We would prefer that you not do it that way. There may be shortfalls in one area. We would like an area quota for the region.

Mr. POAGE. Why should we give a quota to British Guiana? I believe in rewarding the friends of the United States and punishing its enemies.

Mr. QUINN. In all sincerity—and I do not know whether Sir Robert will back me up on this—but in all sincerity I think that in a very short time, and by that I mean within a year or so, you will see British Guiana firmly on our side. Do not forget, Jagan has applied for membership of OAS.

Mr. POAGE. And when I see that I am perfectly willing to go about giving her a sugar quota, but as long as I see her on the other side I do not see any reason for giving her a sugar quota to reward her bad conduct.

The CHAIRMAN. When do you have the next election down there, do you know?

Mr. QUINN. That I cannot answer; that is under negotiation in London today.

Mr. MCINTIRE. As these units become independent nations, do they retain their position in the Commonwealth of British nations?

Mr. QUINN. It would be like Canada—the same status as Canada.

Mr. MCINTIRE. They will have sovereignty, but they will retain their relationship within the Commonwealth?

Sir ROBERT. That is correct.

Mr. MCINTIRE. Thank you.

The CHAIRMAN. Are there any further questions? If not, we thank you very much Mr. Quinn, and Sir Robert for your fine statement.

Mr. QUINN. Thank you very much.

Sir ROBERT. Thank you.

The CHAIRMAN. We will now hear from Mr. I. Irving Davidson. Mr. Davidson is appearing on behalf of the sugar industry of Ecuador.

We understand that you have a manuscript together with a summary that you desire to present. You may file the manuscript for the committee files.

STATEMENT OF I. IRVING DAVIDSON, REPRESENTING THE SUGAR INDUSTRY OF ECUADOR; ACCOMPANIED BY JOHN A. CLEVELAND, JR.; AND AUGUSTO DILLON, FORMER AMBASSADOR FROM ECUADOR TO THE UNITED STATES

Mr. DAVIDSON. My name is I. Irving Davidson and I am appearing here on behalf of the sugar industry of Educator.

I also have with me the former Ambassador from Ecuador, Mr. Augusto Dillon, and Col. John A. Cleveland, Jr., retired. They are here to answer any technical questions, if you have them, as to my statement.

I should like to submit the technical statement as previously stated by you, Mr. Chairman, and, for the sake of brevity, to summarize it briefly in an oral statement.

The CHAIRMAN. Without objection, it may be submitted for the record.

(The prepared statement of I. Irving Davidson follows:)

STATEMENT OF I. IRVING DAVIDSON ON BEHALF OF THE SUGAR INDUSTRY OF ECUADOR

I appear and speak for the sugar industry of Ecuador.

I appear in opposition to H.R. 11730 inasmuch as no provision is made therein for Ecuador to participate as a new Western Hemisphere quota applicant country. Ecuador would also have to object to the price provisions of the act—the so-called phase-out provisions.

Ecuador is located on the west coast of South America between Columbia and Peru. It has been described as an area as high as it is wide and therein lies the reason for some of its problems because of the extremes of jungle on the one hand and lofty peaks on the other. It has three distinct areas—the coastal region, the mountains, and the Amazon jungles—each shut off from the others by geographic barriers. Straddling the Equator, as it does, it is South America's most densely populated nation (4,500,000).

It is along the "costa" or plains region that 95 percent of Ecuadorian exports (bananas, cocoa, and coffee) are grown, and 95 percent of its exports are of agricultural origin.

The decline in cocoa and coffee markets forced Ecuador to explore for other items to export. Sugar was a natural and logical item to consider. It has been within the last decade that steps have been taken in Ecuador to cultivate and process sugar as an export item. Theretofore, only enough was raised to take care of local needs and not sufficient at that. Within a decade, the Valdez Sugar Co. set about the task of stimulating the production of sugarcane for processing into sugar, both for increased local use and for export.

The Valdez Sugar Co. at considerable expense in 1953 modernized its mill. New varieties of cane were introduced and cultivation methods new to Ecuador adopted, all lending to a progressive sugar industry for the first time.

The Ecuadoran sugar industry is an example of the success of private industry in the responsible performance of its obligations to its own domestic market and the national economy as a whole. Over the years, within its low standard of living and low production level, Ecuador, in a routine traditional way, had been satisfying the Nation's sugar needs. However, in the wake of the world crisis of 1929–33, aggravated in Ecuador by the collapse of cocoa exportation on whose monoculture the economy depended, great deficits in sugar requirements rose up, as a result of which the country had to import sugar for many years, a factor which worsened the general economic situation.

GROWTH OF SUGAR INDUSTRY

At the end of the Second World War, like the rest of the countries of Latin America, Ecuador entered into a period of recuperation and economic development. But it was not until the beginning of 1950 that the sugar industry advanced with rapid strides. Up to that point, it is true, importation of sugar had been reduced and production had been raised from 22,000 thousand tons in 1930 to 51,000 tons in 1950. Prior to 1950, and above all during the decade of 1950–59, the concentrated efforts of the administrators of the sugar industry managed to overcome all the obstacles that had been impeding its development: to reequip the sugar mills and to completely renovate the methods of cultivation and cutting of sugarcane.

The result was decisive. The increase during the first 4 years was barely noticeable, but unquestionable. With an annual rate of growth of 2.2 percent, production increased by 7 percent. In 1955 there was a jump of 36.2 percent, an increase that opened and assured further expansion which, by 1959, reached 106,921 short tons.

In the course of this decade, an annual rate of increase of 9.44 percent can be noted. It should be observed, however, that whereas during the first half of the decade (1950 to 1955), with the big impulse of 1955, the increase is 45.6 percent with an annual rate of growth of 9.02 percent; in the second half of the decade (1955–59) there is an increase of 43.7 percent with an annual rate of growth of 14.8 percent. At the end of the decade, the final computation of production growth shows that it had been more than doubled with a total increase of 109 percent. One can therefore conclude that the industry was on the right road.

INCREASE IN POPULATION

Ecuador has maintained a high rate of annual increase of population. The United Nations, in its Demographic Year Book of 1957 for the period of 1953–56, indicates an annual growth of 2.7 percent for Ecuador which places her among the nations with the highest rate of growth in the Western Hemisphere, higher than that of Bolivia, Haiti, Argentina, Uruguay, Brazil, and the United States of America, among others. On this continent it was less than that of Mexico, Paraguay, Nicaragua, and Costa Rica, and on a worldwide scale less than Turkey, Albania, the Malayan Federation, Laos, Israel, and Syria.

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SUGAR CONSUMPTION PER CAPITA

Up to 1950 the sugar industry was not able to satisfy the per capita consumer need of the country. The deficiency was made up by the use of panela and the importation of sugar. The per capita consumption for 1950 was calculated to be 15.1 kilograms per person. As low as this appears, still it was an increase over the previous amount of 9.4 kilos per person for the 1930–34 period. With the growth of the sugar industry, the consumption per capita was able to increase to 15.4 kilos by 1955 and to 15.4 kilos by 1959. However, we must bear in mind that the low rate of growth in the per capita consumption of sugar is a reflection of the general economic conditions of the country, the low per capita annual income which is U.S.$156.

Contrast this situation with that which prevails in other countries: In the United States, the annual per capita consumption of sugar is 44 kilos and the annual per capita income is $2,500; in Chile, consumption of sugar (per capita) is 26 kilos, with an annual per capita income of $296.

The efforts of the Ecuadorean sugar industry toward constant expansion, increase in productivity, and its aspiration to participate in the U.S. sugar market will combine to benefit the general economic life of this country and contribute toward improving the standard of living and low annual income.

THE TRANSFORMATION OF THE INDUSTRY

In 1951, there were 113,665 acres of land dedicated to the cultivation of sugarcane, or 6 percent of the producing land of Ecuador. Of this, 36,595 acres, or 32 percent, were used for the industrial production of sugar, 46 percent for the elaboration of panela, and 22 percent for aguardiento. In 1959, the area dedicated to the sugar industry had increased very little while the area used for the other two products registered a greater increase.

In 1950 the majority of the factories were only able to obtain a production of 40 kilos of white sugar from each ton of cane in contrast with Cuba, for example, where in 1949 they were getting 125 kilos per ton and Brazil, in 1948, 112 kilos per ton. By 1957 Ecuador was able to raise her output to 96 kilos per ton and the present productivity is 109 kilos per ton.

Before 1950 there were 15 sugar factories operating in the country. At present only eight are working, two of which have carried 95 percent of the burden of production during the decade of 1950 to 1959. It is these two mills which have assumed the responsibility of placing the Ecuadorean sugar industry on its feet.

How was this industry able to meet, without any great further extension of lands under cultivation for this purpose, the combined problem of increased demand in the domestic market, increased population, and at the same time increase its surplus for foreign sale? There are two basic reasons which have been the decisive factors for its success.

In the first place, they transformed the agricultural side of production through the mechanization of agricultural work, variation and classification of the species, selection of seed, irrigation and the intensive use of fertilizers. In the second place, they made a massive investment, thanks to credit opportunities within and outside of the country, to renew and modernize the industrial machinery of the mills. And, of course, together with these two factors the intense concentration and perseverance on the part of the industrialists to effect a complete change in the sugar industry.

The mechanization of the agricultural work signified an economy in human labor power. By the use of tractors in the preparation of the ground they reduced certain operations from 900 work hours previously required to 46 work hours, a drop of 96 percent. For the transportation of cut cane, the large mills introduced "Decauville" trains; one locomotive can pull up to 40 cars and thus the transportation of 40 tons represents only 8 hours of work, while in the past cars pulled by animals required 150 man-hours of work. In this way the yield per hectare has been raised to a high productivity which oscillates between 69.8 tons to 164 tons per hectare.

Besides increased productivity, the Nation has room for expansion in another way. In the fertile valleys of the basin of the Guayas River, there is a tremendous extension of land that is excellent for the cultivation of sugar cane. The soil is good. There is a median annual temperature of 75.66° to 81.6° F., and a well-defined seasonal division of rains.

The mills are situated near the city of Guayquil, the main seaport of the nation and principal center of population and consumption. The industry has a network of rail, river, and road communication which facilitates transportation. The industry, besides, has its own lands where they harvest all the cane necessary for present production and for expansion plans.

THE WORKERS OF THE SUGAR INDUSTRY

In all its phases of production, the sugar industry employs a total of 11,079 persons. Not only is this number astonishingly small in itself, but it also represents only 1.10 percent of the total active (working) population of the country and 33.13 percent of the industrial workers of the country. This year the manufacturing industries employed 284,240 persons, or 19.6 percent of the working population, and agriculture 722,432 persons, or 49.5 percent of the working population. In the manufacturing sector cited, this year there were 33,432 industrial workers, or 2.32 percent of the total working population. The balance is made up of artisans, 250,808 persons or 17.45 percent of the population economically active, a relatively high percentage for this type of worker.

WAGES

In 1959, the sugar industry paid out in wages and salaries the sum of $5,176,826.84 (at the rate of 15 sucres per dollar) to all its industrial and agricultural workers. This made a per capita annual wage of $467.30. Compare this with the per capita annual wage of the nation of $156 and you will find that the per capita wage paid by the sugar industry annually is 301.48 percent of the per capita annual income as a whole, or three times higher than the per capita annual income of the entire country.

SOCIAL SERVICES AND AID

The sugar industry of Ecuador contributed in 1959 the amount of $335,350.80 for medical service, hospitalization, savings, pensions, and retirement funds of the Department of Social Prevision (Social Security Board) on a percentage basis over wages and salaries. Besides its contribution to this government agency, of its own volition the industry spent $533,333.33 on social and cultural activities for its employees—sports, education, religion—in the same year.

A REAL NATIONAL INDUSTRY

Sugarcane, the basic raw material used by the sugar industry, is planted and harvested on its own lands. Of the other materials required in the process of production, which constitute no more than 5 percent of all the raw material employed, only a minimum is imported. On the other hand, the industry supplies 98 percent of the domestic market needs for all purposes. The food industry as a whole only supplies 94 percent of the need and industry as a whole is even lower, supplying only 63 percent.

Thus the sugar industry of Ecuador is a completely national industry from every point of view including capital invested, direction and administration, employees, and raw materials consumed.

However, Ecuador must trade to survive and the items it has to offer in trade are few and far between, but sugar is an important item in the group it has to offer.

In 1960 the total exports of Ecuador were valued at $104 million; the imports at $102 million; and the United States participated with about $55 million of that amount with West Germany the next largest at $13 million.

Since the Foreign Ministers Conference at Punta del Este, Uruguay, in January, there has been an upsurge of anticommunism in Ecuador and in the wake of this upsurge, the way has been cleared for needed reforms. These reforms are underway and they fit into the Alliance for Progress program put forth by President Kennedy a year ago. Tax reforms are in progress with the draft new income tax law now up for consideration. A new tariff schedule is nearer realization. Land reform is in progress. In other words, steps are being taken to comply with the aspiration of self-help as expressed in the Alliance for Progress program for Latin America.

Ecuador will need aid but it is essential that it find outlets to enable it to trade and sugar can form an important export outlet for Ecuador and it is on that note that I leave the plea of this hemisphere neighbor, hopeful that this

committee will be responsive thereto and grant it an export sugar quota of sufficient quantity to enable it to move a substantial portion of the sugar it will have available for export this year and in the years that lie ahead.

Mr. DAVIDSON. I would like permission to comment just briefly on the position of Ecuador.

I would like to say, No. 1, that it is the most densely populated of the South American republics.

Ecuador must trade to survive. Its hopes for increased market outlets in the United States are high.

Ecuador has comparatively few items to offer in foreign trade. Today bananas constitute the largest export item, but being a perishable commodity, hence subject to shipping hazards like strikes, it desires to build up other items of export. In fact, it must do so because the other two principal items of export, coffee and cocoa have suffered due to decline in price and market.

The requests of Ecuador are moderate, and moderate though they may be, they are of extreme importance to the country because of the condition of its economy.

Since the Punta del Este Conference, it has broken relations with Cuba, Poland, and Czechoslovakia and an upsurge of anticommunism has followed. It is embarking on a program of reforms similar to those embraced in the Alliance for Progress program.

It imports over $100 million worth of goods yearly and the United States gets over one-half of that trade.

Ecuador joins with other spokesmen who have appeared here in the request that any reallocation of the Cuban quota remain in this hemisphere; that it be given to Ecuador and its neighbors in an equitable and fair manner.

We thank you.

The CHAIRMAN. We thank you very much. Are there any questions? If not, we are very glad to have had you here and to have your statement. I am sure that the committee will give careful consideration to the views you have expressed.

If there are no further questions, the committee will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 3:10 p.m., the committee recessed to reconvene at 10 a.m., Friday, May 25, 1962.)

SUGAR

FRIDAY, MAY 25, 1962

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 10:10 a.m., pursuant to recess, in room 1310, New House Office Building, Washington, D.C., Hon. Harold D. Cooley (chairman) presiding.

Present: Representatives Cooley, Poage, Abernethy, Matthews, Breeding, Inouye, Hoeven, McIntire, Teague of California, Mrs. May, Latta, Harvey, Findley, Beermann, and Fernós-Isern.

Also present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John J. Heimburger, counsel; and Francis LeMay, consultant.

The CHAIRMAN. The committee will be in order, please.

We have before us this morning Mr. James Riddell, to speak on behalf of the sugar industry of India. We are very glad to have you, Mr. Riddell, and we will be glad to hear you now.

STATEMENT OF JAMES W. RIDDELL, COUNSEL, ACCOMPANIED BY DEV D. PURI, M.P., PRESIDENT, INDIAN SUGAR MILLS ASSOCIATION

Mr. RIDDELL. Mr. Chairman and members of the committee, I should like to present Mr. Puri who is the president of the Indian Sugar Mills Association and a member of the Indian Parliament, from the State of Punjab.

Sir, I would like to present my statement, and with the permission of the chairman have placed in the record a pamphlet that contains no charts or maps; it contains two very short tabular tables. It is of the length of 16 pages only and presents our case more fully.

The CHAIRMAN. You want this in the record?

Mr. RIDDELL. Yes.

The CHAIRMAN. It will be included in the record without objection.

(The pamphlet entitled "Memorandum in Support of a U.S. Sugar Quota Allocation to India" follows:)

MEMORANDUM IN SUPPORT OF A U.S. SUGAR QUOTA ALLOCATION TO INDIA

By Dawson, Griffin, Pickens & Riddell on behalf of the Indian Sugar Mills Association

A U.S. QUOTA FOR THE INDIAN SUGAR INDUSTRY

The Indian Sugar Mills Association, an organization of the Indian sugar industry, having by an act of Parliament exclusive responsibility for export of Indian

sugar, seeks a market in the United States for 1 million tons raw value[1] to meet its current crisis resulting from a heavy surplus of sugar and to earn approximately $91 million in foreign exchange needed by India for its economic development in which the United States also has a vital stake.

India, therefore, requests the United States for a sugar quota which would permit it to ship the above quantity of sugar to this country.

Crisis resulting from surplus sugar.—India is faced with an exportable surplus of 1,800,000 tons of sugar. The surplus there is now becoming unmanageable, creating serious problems of financing and storage and threatens a crisis of the first magnitude, leading to acute suffering and widespread discontent, adverse economic and political repercussions affecting millions in India. This crisis can only be averted by exporting at least 1 million tons of sugar to the United States.

India looks to exports for economic development

India regards its proposed export of sugar to the United States as especially important now because it is on the threshold of its third 5-year plan for economic development.

India's third 5-year plan is a continuance of her developmental programs, intended to achieve better standards of living for 438 million people in freedom and through democratic methods. This population is greater than that of all Latin America and Africa combined. The greatest shortage that India faces now is that of foreign exchange required to pay for the heavy imports of machinery and capital equipment needed for its developmental programs. It is estimated by the Indian Government and the World Bank missions which have visited India to study India's third plan that the nation will be faced with a foreign exchange deficit of about $1 billion a year. She will have to depend, to a great degree, on friendly countries to assist her to bridge the gap.

At the same time, she has to make every effort to promote her exports and increase her foreign exchange earnings, so as to reduce her dependence on foreign aid. This need of increased exports has been recognized and emphasized by various international bodies and missions which have visited India, and is an integral part of India's economic policy. From this point of view, it is not merely desirable but essential that India should be given this opportunity to export a commodity like sugar of which she has now a large surplus. This would enable her to earn substantial foreign exchange—it is estimated that an export of 1 million tons a year would earn India about $91 million, which would be of great assistance to her in paying for her program of economic development.

Importance of Indian development recognized by United States

The importance of assisting India has been emphasized by American leaders for some time. India hopes the United States will permit the import of some of its sugar as a method of assisting without dollar outlay. Some comments of American leadership:

John F. Kennedy, President of the United States.—"Foreign aid is important to most underdeveloped countries; but for some of them the real life and death question is markets for their export commodities."

"One nation in particular stands out as the primary example of particular importance to the free world, and in particular need of long-term development capital. That nation is India—the hinge of fate in Asia * * * India has moved into the state of economic takeoff—her population, her economy, her absorptive capacity, her own efforts, and her administrative structure combine to deserve our firm commitment * * *."

Dwight D. Eisenhower, former President of the United States.—"When I consider in my own mind the potential contribution of India to the prosperity of its own people and of the entire free world—say in the next 10 years—my imagination fails me * * *.

"As (India) prospers the whole free world will prosper * * *. The spiral of prosperity throughout the free world will lift the living standards of all our peoples * * *."

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[1] NOTE.—All figures in India are maintained on long tons refined basis. These figures have been converted to short tons raw value for this memorandum.

C. Douglas Dillon, Secretary of the Treasury.—"* * * The success of India's efforts to develop itself with rapidity cannot be overemphasized * * *."

Senate of the United States (S. Con. Res. 74, 85th Cong.).—"Resolved by the Senate (the House of Representatives concurring), That the Congress recognizes the importance of the economic development of the Republic of India to its people, to democratic values and institutions, and to peace and stability in the world. Consequently, it is the sense of the Congress that it is in the interest of the United States to join with other nations in providing support of the type, magnitude, and duration adequate to assist India to complete successfully its current program for economic development."

Thus, the acceptance of this proposal would help meet the domestic needs of the United States for sugar and would serve the national policy of this country by assisting the Indian Government in financing the costs of its own programs for national development on a self-help basis.

SUGAR AND INDIA'S NATIONAL ECONOMY

Historically, India has been acknowledged as the home of sugar. Indians developed the art of sugar making at least 3,000 years ago when most of Europe was not introduced to its taste.

Indian sugar production, processing, and distribution is, and always has been, in private hands. The sugar industry is, in fact, the second largest private industry in the country. Today India is by far the world's largest sugarcane producer, its output of sugarcane being 85 million tons. Of all the sugarcane growing countries, India has the largest acreage under this crop—being 5.2 million acres. This accounts for a third of the world's total acreage under sugarcane. The number of growers that raise this crop is over 4 million. Together with their dependents, about 20 million Indians derive their livelihood from sugarcane. In no other country do so many people depend on this single sugarcane crop. Taking into account all the sugar produced in India including "Gur" and "Khandsasari" (indigenous forms of sugar), the annual Indian production is about 7.5 million tons, believed to be the highest in the world. Of this, 3.6 million tons (raw value) is produced by vacuum pan factories.

The sugar industry has modernized

The modern sugar industry was established in the early thirties and since then has made all-round progress until today it ranks as the second largest in the private sector. There are about 178 vacuum sugar factories owned by private Indian capital, worked by Indian labor, and managed by Indians.

The capital employed in the industry is over $200 million, of which plant and equipment accounts for $100 million.

The industry employs over 200,000 workers and the fate of these workers and their dependents, together more than a million persons, is entirely linked with the industry.

An ancillary industry that has developed over the last 5 or 6 years is the manufacture of sugar machinery in India. This industry is also owned and operated entirely by private enterprise.

Six manufacturers have a capacity of 12 complete new plants per year. In addition to this they have enough capacity left to take care of the current repair and renewal requirements of the sugar industry.

It should therefore be realized that sugarcane is an extremely important crop of the country and upon it hinges the fate of millions of Indians and a large segment of the Indian economy. Difficulties in the marketing of this important commercial crop are bound to have adverse repercussions on millions in India, considerably upset the rural sector and affect the economy of the whole country, particularly that of the States of U.P. and Bihar (which embrace a population of about 120 million) which are the principal cane producing areas in the country.

Changes resulting from development

Until recently, the pattern of cultivation had been that the sharecropping tenant without security of tenure, without adequate and dependable facilities or irrigation had plied his outmoded implements and obtained only a fraction of the crop that he could have, if proper facilities were available within his reach. The yields have hitherto stood at the low figure of 16.24 tons per acre as a national average.

Things have changed rapidly in recent years. Irrigation facilities and hydroelectric power are being supplied on a hitherto unimagined scale. India has spent more on irrigation facilities in 13 years after independence than had been spent in the previous 150. Security of tenure is being insured to the tenant by legislation, all over the country. Roads have been built in hitherto inaccessible areas. Community development projects and national extension services have brought modern implements and latest agricultural methods to the door of the grower.

India is making a move to step up agricultural production which, in the case of sugarcane, is one of the lowest in the world, the yield being 16.24 against Hawaii's 80, Java's 50, Formosa's 30, and Puerto Rico's 25 tons.

It is not the policy of the Government of India to encourage any increase in the total acreage under cane. Any additional yields of this crop in India are likely to flow from the steps taken to improve and make more efficient the methods of production utilized by the millions of small growers involved.

In a nutshell, the number of growers involved is so large, the holdings so small and the yields obtained heretofore so low by virtue of the inefficient methods of production utilized, that the granting of a U.S. import quota to absorb a part of the increased production resulting from the active steps taken to improve the quality of the crop and its yield on existing acreage will result in great benefit to over 21 million Indians and to the U.S. citizens who produce the manufactured goods, agricultural commodities and services which India will be able to purchase by virtue of the foreign exchange generated by exporting to the United States the amount of sugar granted by the quota.

THE SIZE OF THE SURPLUS

Indian sugar statistics relate to periods from November 1 to October 31 following. The bulk of production starts around November and is completed by about the middle of May.

In 1960–61, production was about 3.57 million tons. The stocks brought forward from the previous year stood at 660,000 tons approximately. Thus, India has a total supply of over 4.2 million tons of sugar. Of this a little over 2.5 million tons were consumed internally and 357,000 tons exported. This left a carryover of 1.3 million tons for the current season.

The position for 1961–62 is expected to be somewhat as follows:

	Million tons
Stocks as of Jan. 11, 1961	1.36
Production (estimated)	3.18
Total	4.54

Of this the internal consumption by the most optimistic estimate is expected to take care of about 2.7 million tons, leaving a balance of over 1.8 million tons for export.

It may be explained that production in the current season will be less than the previous season because the Government of India, by legislation, reduced the production of vacuum pan factories. This is an extremely hazardous step for the Government to take in view of the very large number of cane growers involved and is not likely to yield results commensurate with the hardship involved because the grower is forced to convert his cane into other indigenous forms of sugar. Control of acreage by legislation is considered an administrative impossibility, especially under India's democratic setup.

INDIA'S EXPORT MARKETS

Until recent years India's production was such that sugar exports were not much of a problem. With the acceleration of economic development and increased sugar production as a consequence of this acceleration, India had looked toward the prospect of export earnings from sugar which would contribute to India's income and that of its people. Now it is no longer a question only of export earnings. It is a matter of survival of the industry and the health of the nation's entire economy, for India has 1,800,000 tons of sugar over and above domestic requirements and must find markets for at least the greater part of the surplus.

India has no preferential markets

Virtually every other sugar exporting country has a preferential market. The so-called preferential markets account for nearly two-thirds of the sugar exported the world over. The balance of one-third is dumped into the world market at throwaway prices. India has no preferential market, and, therefore, seeks to sell its sugar in the United States. Having regard to size of the "world free market" and the prices ruling therein, it would be virtually impossible to sell the Indian surplus in it. If forced so to do, it would result in untold suffering to millions of Indian growers and a serious upset of the Indian economy.

Communist purchases of Cuban sugar overflowing into Indian markets

As an indirect consequence of U.S. action to prohibit the import to the United States of Cuban sugar, however, India has found that its neighboring markets are being invaded by Cuban sugar purchased by Russia and mainland China from Cuba and being dumped by these nations into what otherwise would be Indian markets. China has recently sold 30,000 tons of sugar to Burma. Poland has announced the sale of 40,000 tons to Ceylon. Sugar from Communist sources is starting to encircle India and preempt India's markets. In fact, the markets available to India are rather limited and not in a position to absorb her surpluses.

Under the circumstances India looks to the United States, the world's largest importer with a domestic market that is rapidly expanding. The per capita consumption of refined sugar in the continental United States averages about 97 pounds per year. About half of the great quantities of sugar required to meet this demand has traditionally been imported by the United States. The United States is presently engaged in securing adequate supplies of foreign sugar to meet its domestic requirements.

Considering that India is one of the largest sugar producers in the world and that Indian sugar production must continue to take care of the increasing cane yields forthcoming as a result of developmental activities if India's economic development is not to be frustrated, a quota of 1 million tons out of the total U.S. imports of 4,500,000, is not large.

India has sugar in stock

Even from the supply point of view, India has sugar in hand and the Indian industry is carrying an almost unbearable load of stocks. In fact, physical stocks with the industry by the 30th of April 1962 are expected to have been in excess of 3 million tons. Sugar could be shipped to the United States right away, ex-stock.

Perhaps no other country has such a large exportable surplus—1,800,000 tons—nor is the problem so acute as is with India, because of the limited markets that are available to her. Quite contrary to this, many other countries are attempting to increase their production (or have already done so) primarily to supply to the United States.

By procuring sugar from India, the U.S. Government would not only meet her needs but solve the sugar surplus problem that threatens Indian economy with serious injury.

SHIPPING

From the standpoint of shipping alone, export of Indian sugar to the United States is desirable. It is noteworthy that presently wheat is being shipped to India under Public Law 480 at an annual rate of more than 3 million tons—almost 1.25 shiploads a day. Most of these ships will return to the United States empty because India's exports to the United States are so small as compared to the U.S. exports to India. Were the United States to grant the requested sugar quota, these vessels could be gainfully employed on their return voyages. This would work to the benefit of the U.S. shipping industry and of the U.S. Government.

Indian sugar is available for immediate shipment and can be delivered to east coast ports within 30 to 35 days in transit.

UNITED STATES AND INDIAN TRADE

Supply of sugar to the United States by India would considerably increase the total volume of trade between these two countries. This in itself would bring a large section of the Indian population closer to the United States, lead to the development of several contacts on both sides, and bring home to a large section of the Indian population, particularly the cane grower, the industrial worker, sugar trader, etc., the benefits of trading with the United States. This

trade would assist in increasing the purchasing power of the masses resulting in demand for more and more goods. A developed India, with its large population, will be a tremendous market.

At present the U.S. trade with southeastern Asia, with a population of 600 million, is about 2 percent of the total U.S. foreign trade. In this connection, a quick look at the India-United States trade figures is very revealing.

United States-India trade

[Millions of dollars]

Year	Imports from the United States	India exports	Net deficit for India
1956	267	205	62
1957	340	187	153
1958	323	162	161
1959	390	190	200
1960	640	230	410
1961	482	254	228

Source: U.S. Department of Commerce.

The conclusion that irresistibly springs from these figures is that while India's imports have increased tremendously over the past several years the Indian exports to the United States have registered only a negligible increase.

With the need for increasing the output of machinery and capital equipment required for India's development programs, the volume of Indian purchases from the United States would continue to grow larger. Further, balance-of-trade statistics of the U.S. Department of Commerce show that many of the countries which are leading exporters of sugar to the United States presently enjoy a favorable balance of trade with the United States and none has such a wide gap in its trade with the United States as India.

Sugar supplied from underdeveloped countries

Sugar purchases by the United States could be a very effective means of assisting the development of underdeveloped countries. By the very nature of her economy, sugar would be ideally suited as an export item for India. Unlike the industrialized countries which have a large number of export articles and a well-developed foreign trade, in India exports of primary products like jute, tea, ores, sugar, et cetera, have to be the mainstay for earning foreign exchange and developing her foreign trade.

Inasmuch as the United States has definitely adopted a policy of assisting the underdeveloped countries, it should implement this policy by granting a sugar quota to India. If standards of living are taken as an index to the degree of underdevelopment, India is probably the most underdeveloped country among the prospective sugar-supplying countries.

Purchases of U.S. agricultural commodities

Under the terms of the Sugar Act, special consideration must be shown, inter alia, to countries that buy U.S. agricultural commodities. If consideration is to be shown on this account, India, which has the record of being the largest purchaser in the world of U.S. agricultural commodities and definitely by far the largest amongst the prospective sugar-supplying nations of the world, ought to be granted a quota. Her purchases of U.S. agricultural commodities in 1959 amounted to $209 million and to about $414 million in 1960. In May 1960, by virtue of an agreement concluded between the United States and India, India agreed to purchase 12 million tons of U.S. agricultural commodities. Consequently her purchases were considerably higher in 1961 than in 1960 and will be higher still in 1962. Under the circumstances, India deserves special consideration in keeping with the letter and spirit of the Sugar Act.

Equitable distribution of benefits

If consideration is to be given to assist the largest number of people and the benefits of such assistance is to be fairly distributed, India has again a strong point. The number of canegrowers and their dependents that will benefit runs into millions—it would outnumber the entire population of several other sugar-producing countries, let alone the limited section of the canegrowers in

these countries. In no other country are 20 million people, small cane farmers and their families—dependent on sugarcane for their livelihood. The basic pattern of cane cultivation in India is that of the small farmer, with farms averaging about 1.5 acres.

Healthy growth of international sugar trade

Again, if the world trade in sugar is to develop on healthy lines rather than be concentrated amongst a few countries, it is desirable that a reasonable share of this trade is given to India, which is the world's oldest, and one of the largest sugar producers. Whereas some sugar exporting countries export from 50 to 95 percent of their production, India has been restricted, for historical reasons, to an almost negligble share of the world trade. If India is permitted to export 1 million tons to the United States her exports would be only 23 percent of her production, as against an average of 80 percent of the principal sugar exporting countries. If the Indian people are to be given a chance to improve their lot it would necessarily imply a break with historical factors that have been contributory to this state of affairs. The United States, as the largest importer of sugar, can greatly influence the pattern of world trade and channel it in a manner that will be fair and equitable to sugar producers of the world including India.

Conclusion

The United States must import a part of its sugar and if the desirability of importing this commodity from underdeveloped countries is conceded and the necessity of correcting the imbalance of trade between the United States is recognized, then India, which buys U.S. agricultural commodities, manufactured goods, and services, must receive consideration in the form of a sugar quota from the United States. Every dollar of foreign exchange that India is permitted to earn by exporting sugar to the United States will be spent in the United States. Thus the benefits of an Indian quota will redound not only to the people of India, but to those in the United States as well. A quota to India will do the greatest good for the largest number of people.

SUMMARY

To sum up:

1. India is the world's largest sugarcane producer.
2. The sugar industry is entirely in the private sector and is the second largest in the nation. Exports of sugar have, by an act of Parliament, been placed in the hands of the Indian Sugar Mills Association, an organization of the industry.
3. A large section of her population, over 21 million, is dependent upon sugar.
4. As a consequence of India's general economic development, the country is now faced with a surplus of 1,800,000 tons.
5. India has no preferential markets. Part of the Russian and Chinese purchases of Cuban sugar are already finding their way into India's neighboring markets.
6. Serious injury to the Indian economy and consequent widespread disaffection can be avoided only if 1 million tons of sugar is shipped to the United States.
7. India has sugar available for immediate shipment from stocks on hand which can be delivered in 30 to 35 days port to port.
8. Sugar exports would provide the return cargo sought by U.S. ships that carry wheat to India which now often return empty.
9. Sugar exports to the United States would enable India to earn the much-needed dollars for her development activities, thereby insuring her speedy economic development so vital to the entire world.
10. India is the world's largest purchaser of U.S. agricultural commodities and desires that due consideration be given to this fact.
11. The Indo-United States trade balance is very unfavorable to India. Sugar exports to United States would enable India to narrow this gap.
12. The benefits of exporting sugar to the United States would go to a very large section of Indian population.
13. Exports of sugar from India would diversify sources of sugar supply and insure healthy growth of international trade in sugar.
14. Sugar purchasing from India would be in keeping with the policy of the United States to assist underdeveloped countries.

Mr. RIDDELL. My name is James W. Riddell. I am a partner in the firm of Dawson, Griffin, Pickens & Riddell, 731 Washington Building, Washington, D.C. My firm is counsel for the Indian Sugar Mills Association, an organization of the Indian sugar industry, which by an act of Parliament of the Republic of India has exclusive responsibility for the export of Indian sugar.

The Indian people have long been associated with the growing and processing of sugar and, in fact, developed the art of sugarmaking at least 3,000 years ago, long before Europe was introduced to its taste.

Today the Republic of India is probably the world's largest sugarcane producer, producing around 84 million tons of sugarcane on 5.2 million acres of land. This accounts for about one-third of the world's total acreage of sugarcane.

Individual holding are small, with over 4½ million growers dividing the total acreage under cane. This means that the average sugarcane grower has less than 2 acres of land under cultivation. When these growers are taken together with their dependents, it means that over 20 million Indians derive their livelihood directly from the production of sugarcane. In no other country in the world do so many people depend on sugarcane for their livelihoods.

When this number is added to the number of people directly employed by the sugar processing industry, the second largest industry in India, it means that over 21 million Indian people are directly dependent upon the sugar industry for their livelihood. But the importance of the sugar industry to the Indian people does not stop with even this large number of individuals, for the whole population of India, that is around 438 million people, are concerned with the welfare of the Indian sugar industry since sugar has a big export potential and can, if encouraged, become an important source of foreign exchange to India.

The principal sugar producing belt of India is comprised of the three States of Punjab, U.P. (U.P. stands for United Prime Minister), and Bihar. These States, as you know, share a common boundary with Communist China. The standard of living of these people is quite low by our standards and the methods used by them in the production of cane are, of necessity, far less efficient than those used in other parts of the world. For example, yields per acre run about 16.24 tons as a national average in India. This low yield is to be compared with Hawaii's 80 tons per acre, Java's 50 tons, Formosa's 30 tons, and Puerto Rico's 25 tons. These people (these people who grow the cane and who process it in the sugar factory) are friendly to the United States—they are certainly not the friends of Communist China—but they need a market for the commodity on which they depend for a living.

Today they find themselves confronted not only with a surplus of sugar in their own country and in the free world, but they find that Cuban sugar which has been exported to the Iron Curtain countries is beginning to invade their own traditional markets. For example, last year China sold 30,000 tons of Cuban sugar to Burma, and Poland last year announced the sale of 40,000 tons of Cuban sugar to Ceylon. Any quota granted by the United States to these people would be deeply appreciated.

It is not the purpose of my appearance here to persuade this committee in any respect as to the amount of sugar it should allow to the domestic producers of the United States. I appear here only to advance the plea of India that it be allowed to share in that part of the total U.S. sugar consumption which this committee and the Congress decides should be supplied by foreign producers. I should also make it plain that it is not our intention to argue against or oppose the interests of other countries who are now in a position, by virtue of their diplomatic relations with the United States and the availability of sugar to them, to supply a part of the foreign quota to be consumed in the United States under the Sugar Act.

While it is true that the developing country of India needs all of the assistance that it can obtain from the United States—that every bit of economic aid given by the United States to India advances the cause of the United States in its fight for a free world against communism, and that every dollar of U.S. economic help assists in raising the living standard of the Indian people and helps them along the road to progress, I do not pitch my arguments (my case as a lawyer here or the case of India upon these grounds alone) in support of a U.S. sugar quota for India on these grounds alone.

Rather, I base my case, the case of India, for a quota upon the sound business proposition that every dollar earned by India through the export of sugar to the United States will be returned to the manufacturers, merchants, and farmers of the United States in trade.

India's 438 million people bring to the citizens of the United States one of the largest and least developed markets in the world. The people of India need everything—but to purchase the goods and services offered by the businessmen and farmers of the United States, they must have the dollars with which to do business. For better or for worse, few American businessmen today find themselves in the position of doing business with India for rupees. They need dollars.

American businessmen and farmers wish to receive dollars in exchange for their goods and services, but it is impossible for India to do business on this basis if it is not given an opportunity to earn dollars. Sugar is a commodity upon which India is chiefly dependent at the present time to expand her dollar revenues. The United States needs sugar—India can supply the sugar—India needs the manufactured goods and agricultural products of the United States. It has demonstrated its desire to have them. All that remains is for India to have the opportunity to earn dollars with which to purchase these manfactured goods and agricultural commodities from the citizens of the United States. Indian sugar, if it can be sold in the United States, will supply those dollars.

India's balance of trade with the United States is a most unfavorable one, as is demonstrated by the following figures:

United States-India trade

[Millions of dollars]

Year	Imports from United States	India exports	Net deficit for India
1956	267	205	62
1957	340	187	153
1958	323	162	161
1959	390	190	200
1960	640	230	410
1961	482	254	228

The source of these figures are from the U.S. Department of Commerce.

And this is in the pamphlet I submitted for the record.

If India is to continue to trade with the United States, then it must be permitted to sell to as well as buy from the United States. If the Congress of the United States (through this committee) grants India a sugar quota, a reliable source of dollars will be made available to India and India's purchases, whether of cotton, wheat, locomotives, hydroelectric equipment, machinery, et cetera, will redound to the benefit not only of its own citizens, but to the men and women of the United States involved in the production of these goods and services.

Since India has never shared in the benefits of the Sugar Act, the voice of its representatives is perhaps not to be accorded the weight of the representatives of Peru, Mexico, and the other countries who have shared the benefits of the Sugar Act when it comes to evaluating its meaning both to the United States and to the peoples of the world who produce sugar. But, Mr. Chairman, India has had an opportunity to observe the workings of the Sugar Act in the past and an opportunity to evaluate and feel the impact of the chaotic conditions that have existed in the world market for sugar. Thus India believes that it has the experience to join with the representatives of the other sugar producing countries of the world in opposing the global quota system advanced for the first time before this committee by representatives of the administration.

Appearing late as we do in these hearings, I will not burden this committee by repeating the reasons why we believe that the global quota system should not be adopted. Instead, I join in the criticism advanced against that system by the representatives of Mexico and Peru, and, indeed, all who have analyzed the meaning of the system for the sugar producers of the world who share in or who like us, hope to share in the U.S. market under the provisions of the Sugar Act.

Mr. Chairman and members of the committee, India is now and will continue to be in a position to supply the United States with 1 million tons of sugar per year, assuming that the world continues in peace, and as I have said, if India is permitted to sell to the United States 1 million tons of sugar, or any other commodity, every dollar earned by India in so doing will be spent in the United States.

It is my hope that in considering this legislation you will grant India a quota. While I am deeply appreciative of the motives and sound reasons underlying the continued reservation of a large part of the foreign production which can be sold in the United States to Cuba, I must point out that India is today a friend of the United States who is continuing to trade with the people of the United States at an accelerated rate—a friend who must be given an opportunity to sell if it is to continue to buy, and I implore this committee to set aside some part of Cuba's former quota for the people of India so that they might have an opportunity to sell sugar, earn dollars and spend them in the United States for the benefit of the people of both nations.

The CHAIRMAN. We thank you very much, Mr. Riddell.

I should like to ask you as to the per capita consumption of sugar in India.

Mr. RIDDELL. It is very low, sir—very low. The people of India do not have the standard of living of our people. Before they can buy sugar they have got to buy the essential of life—they have got to buy bread, rice, or whatever they can to subsist.

The CHAIRMAN. The reason I ask that question is that I have heard people suggest that India should not be exporting food when the people are in need, and when sugar is such a vital food, and has life-sustaining value—that most of it should be consumed in India.

Mr. RIDDELL. May I speak to that, sir?

The CHAIRMAN. Yes.

Mr. RIDDELL. Right now the people of India need wheat. The sugar that India can sell in the United States buys the wheat which the Indian people need as food more than they need the sugar.

The CHAIRMAN. In that connection——

Mr. RIDDELL. Consumption will rise as India develops and improves the standard of living of its people, but as the standard of living goes up and the per capita consumption of sugar goes up, so will production of that commodity.

The CHAIRMAN. India produced sugar 3,000 years ago, did you not say?

Mr. RIDDELL. Yes.

The CHAIRMAN. It seems to me that the Indian people should have an appetite for sugar.

Mr. RIDDELL. They have the appetite, sir, but they do not have the wherewithal to satisfy that appetite. They consume about 7.5 million tons of indigenous forms of sugar every year. There is what we call gur and khandsari. They are brown sugars, and they consume fantastic quantities of these, but I had thought that you referred to table sugar by our standards of table sugar. By our standards the Indian people consume about 2.5 million tons per year.

The CHAIRMAN. I mean sugar in any form.

Mr. RIDDELL. They consume now about 10 million tons of sugar per year.

The CHAIRMAN. Their per capita consumption is the lowest in the world, is it not?

Mr. RIDDELL. Yes. That comes by virtue of the economic circumstances of the people. If a man has but 10 rupees to spend, he spends it for bread before he spends it for sugar.

The CHAIRMAN. You talk about buying wheat in exchange for the sugar.

Mr. RIDDELL. Yes.

The CHAIRMAN. The law in effect authorizes that, the authorization for the purchase of 225,000 tons of Indian sugar which was approved, but the Indians were relieved of the necessity of buying any bushels of wheat.

Mr. RIDDELL. May I speak to that point?

The CHAIRMAN. Yes.

Mr. RIDDELL. Some years ago an agreement was negotiated calling for the purchase of 16 million tons of U.S. wheat. That agreement has been proceeding according to schedule. I inquired into that no later than this morning of officials in the Indian Embassy. It has been going according to schedule. And as a matter of fact, just about 1.25 shiploads of American wheat are being delivered to Indian ports every day.

In addition to the commitment to take 16 million tons of wheat over a period of 4 years, India found itself, under the agreement, to continue to purchase from its normal suppliers 400,000 tons per year. In satisfying that requirement last year India purchased in the United States an additional 100,000 tons of wheat for cash with a part of its limited dollar reserves. It has no dollars to speak of, yet it came into our market and purchased 100,000 tons of our wheat for cash.

I have not been able, in the short time available, to explore this problem as fully as I would like, but I understand, and I have been assured, that India's agreements to purchase wheat from the United States are being and will be complied with fully. In addition to that, we will purchase wheat here whenever we have the dollars.

Assume for a minute, sir, that this committee sees fit to grant us a source of dollars in the form of a quota—there is nothing in this world that you can name that we do not need except the few exports that we make to the rest of the world. We need your cotton. As a matter of fact, this year we have negotiated an agreement to purchase 50,000 bales of cotton from the United States—let me get my figures set straight—it is 44,000 bales of cotton, sir, in turn for the 50,000 short tons of sugar which the United States is permitting us to import into this country, that is, into the United States, between January 1, 1962, and June 30, 1962. We are ahead of schedule on buying that cotton.

The CHAIRMAN. Do I understand that in the last transaction, as a result of the purchase of the Indian sugar, that the Indians did agree to purchase 44,000 bales of cotton with the money derived from the sale of the sugar in this market?

Mr. RIDDELL. Yes, sir. I referred to the agreement entered into on February 12, 1962. In addition to the negotiated agreement, which I have in my hand here, I understand that we are agreeing to purchase 120 percent more—excuse me, sir—20 percent more.

The CHAIRMAN. Is that under a Public Law 480 agreement, or as the result of an exchange resulting from language in the law to give consideration to agricultural purchases?

Mr. RIDDELL. No, sir. This is in addition to, outside of Public Law 480 agreements. And it is in addition to the amount of cotton normally imported into the country of India from, in the language of the agreement, countries friendly to the United States—including the United

States of America—so that this is cotton we are purchasing with sugar money that we earned in addition to all of our public Law 480 agreements and our agreements to purchase cotton in the rest of the world.

The CHAIRMAN. Did I understand you to say that all of the money that India receives from the sale of sugar in this market will be spent back in America?

Mr. RIDDELL. Right here, sir. Let me make plain this, Mr. Chairman: This is a big candy store, this is the United States. And the Indian people have very few pennies to spend here. They need everything we manufacture from locomotives to knives and forks. They need cotton. They need a great many agricultural products.

The CHAIRMAN. Do they need tobacco?

Mr. RIDDELL. I do not think that we could use tobacco. [Laughter.] I do not think that we could use it. As a Virginian I would love to. I understand that India exports a considerable volume of tobacco. Precisely how much I do not know.

The CHAIRMAN. They export tobacco, I know, but I am not talking about importing it here, but I am talking about exporting some American tobacco to them.

Mr. RIDDELL. I understand.

The CHAIRMAN. How long does it take to deliver the sugar into this market from India?

Mr. RIDDELL. The same amount of time that it takes to get a bale of cotton from the United States to India, 35 days.

The CHAIRMAN. About what?

Mr. RIDDELL. About 35 days.

The CHAIRMAN. Are there any further questions?

Mr. Hoeven.

Mr. HOEVEN. Mr. Riddell, where is India selling its sugar?

Mr. RIDDELL. India has no preferential markets for the disposition of its sugar. Unlike most of the sugar-producing nations of the world, it has no preferential market, so it must sell it where it can find a market for it. They would like to sell it here.

Mr. HOEVEN. Where does it sell it?

Mr. RIDDELL. Mostly southeast Asia, Canada—wherever we can, sir. We are, certainly, not selling any of it to Russia. Russia, as you know, raises a great deal of sugar and it has bound itself to take in so much of Cuba's sugar that it is pumping sugar into India's traditional markets in southeast Asia and the rest of the world.

Mr. HOEVEN. And is some of it going into Red China?

Mr. RIDDELL. No, sir. On the contrary, Communist Red China is pumping sugar that it has agreed to buy from Cuba into the countries that normally India would supply.

Mr. HOEVEN. I notice in your statement that you say among other things:

> I must point out that India is today a friend of the United States.

I put a big question mark behind that.

Mr. RIDDELL. Well, sir, I can answer that myself not as to the political nuances of the Indian policy, but I can say only that I sit here representing Indian businessmen and Indian farmers and Indian workers. They are friendly to the United States, I can say that. They wish to trade with the United States. They, like ourselves, won their independence the hard way. And today they stand less than

25 years old as a nation attempting to live in what is for them a very, very perilous world. They are today very much in the same position that the United States found itself after we won our independence from England by our war for independence. I imagine that they feel they are very much in the position that we were when the world of that time was arguing that we should either join the Camp Boneparte or the people allied with England.

If you will recall, sir, George Washington in his farewell address, warned our people of foreign entanglements. He said that until we were strong enough we had best mind our own business lest in the process of meddling in other's affairs we lose the independence that we had so short a time before gained.

I cannot put myself in the position of an Indian or the Indian Government, but I can say this, that these people, if you give them the opportunity to sell sugar in our market, will buy the products of the United States here; for every dollar that you let them earn they will spend a dollar here.

Mr. Puri points out that the trade between India and Russia and Communist Red China is insignificant compared with the trade between India and the United States. That happens to be the fact. I can place the dollar amounts in the record if you would like me to do so, Mr. Hoeven. These people are active enemies of Communist Red China. They share a common boundary with them. They have had reason by virtue of the recent encroachment of Communist Red China upon their boundaries to understand Communists in a way that we have not yet had to experience.

Mr. HOEVEN. I do not want to belabor the point, but when you say that India is today a friend of the United States, I just wonder a bit—I wonder whether your statement is based on the fact that India constantly votes against the United States in the United Nations, and that Mr. Menon loses no opportunity to criticize the United States.

Mr. RIDDELL. May I go off the record, Mr. Chairman?

The CHAIRMAN. Yes.

(Discussion off the record.)

Mr. RIDDELL. I imagine that many Indians, many Indian businessmen in particular, find themselves in the position regarding Mr. Menon that some of the members of this committee find themselves in with respect to some officials of our own Government.

The CHAIRMAN. There is no question about our friendship for India—there is no question about that.

Mr. RIDDELL. Not at all.

The CHAIRMAN. One transaction provided $2,200 million for India, and they did not have to make a loan—they got it by grant to be paid back over a long period of years. That proves and is substantial evidence of our friendship for the Indians.

Mr. RIDDELL. Certainly, sir. And India is deeply appreciative of that fact.

The CHAIRMAN. Are there any further questions?

Mr. Poage.

Mr. POAGE. I would like to go a little bit further into the basic theme that the chairman and Mr. Hoeven have discussed.

You have emphasized throughout your statement, as you do on page 4 where you make the statement:

> Rather, I base my case, the case of India for a quota, upon the sound business proposition that every dollar earned by India through the export of sugar to the United States will be returned to the manufacturers, merchants, and farmers of the United States in trade.

Mr. RIDDELL. Yes, sir.

Mr. POAGE. Is India willing to make a commitment that all of the funds she derives from the sale of sugar shall be deposited in American banks and be withdrawn only for the purpose of purchasing American agricultural products?

Mr. RIDDELL. We cannot commit the Indian Government. I can say this, I think the only modification to your statement that we would have to get clearance on would be as to the purchase of agricultural commodities.

As I said, Mr. Poage, this is a big candy store. The United States manufactures a lot of things that India needs—locomotives, hydroelectric equipment. We would like to be able to purchase those with dollars, too.

Mr. POAGE. I know that you would, but we could produce this sugar here, could we not?

Mr. RIDDELL. Most assuredly.

Mr. POAGE. Of course, we could. If we are going to let somebody have these quotas, then should we not say to those people who want to have them that they must purchase American products?

Mr. RIDDELL. Certainly.

Mr. POAGE. So that we will not have any total deprivation of the products of the American farm.

Mr. RIDDELL. This committee can draft this legislation and the Congress can enact it, as it will, and of course——

Mr. POAGE. I know that; I understand that. But what I am trying to find out is how we can draft it so that it will be of assistance to you and still keep you in line with what some of us think we ought to do.

Mr. RIDDELL. If we can purchase agricultural commodities with the dollars that you permit us to earn by way of the sugar purchases, we, of course, are far better off than we are today, but we would like—and this is the case of our expressing our hopes, of expressing our "druthers," we would like to be in the position, also, of being able to purchase locomotives from the people of Illinois, hydroelectric equipment manufactured in Pennsylvania and New York, electronic equipment manufactured in California—we would like, also, to be able to buy these other things.

It is true that to the extent we withdraw some part of the U.S. production from sugar that the farmers in the United States have a problem. I think the farmers of India would be very sympathetic to their point of view. It is simply that India needs so much that they would prefer if they had their "druthers" to be able to buy other things too.

Mr. POAGE. I understand that.

Mr. RIDDELL. To have some flexibility.

Mr. POAGE. You are not talking to the Foreign Relations Committee; you are talking to the Agriculture Committee.

I come back to the proposition, will you give us that kind of a commitment?

Mr. RIDDELL. I am not in a position to answer it, sir. I cleared the statement I made that every dollar we are permitted to earn will be spent in the United States.

Within an hour after I leave this witness chair, I will go back to the people and attempt to obtain whatever commitment you wish to impose.

Mr. POAGE. That is something I would like to know about. I do not know how far we are going to go—I do not know how far the committee is going to go, but I do not know how we can make a decision until we know what the Indian Government will do.

Mr. RIDDELL. And the petitioners here, we who represent the Indian sugar producers, have every responsibility as the petitioners here to tell you precisely what we will do. It is just that I am not now in a position to make the commitment.

The CHAIRMAN. But I understood you to say that you could make a commitment, that the Indian farmers would have no objection to the commitment, but you do not know what the political situation would be or what the Government's attitude will be.

Mr. RILLELL. I think, sir, we can ascertain with great speed the position of the Indian Government. And as I said as the petitioner here, with hat in hand, we owe you every obligation to tell you precisely what we will do. It is just that I cannot now answer.

The CHAIRMAN. Will you try to obtain the information for the record?

Mr. RIDDELL. I most assuredly will.

(The information referred to follows:)

DAWSON, GRIFFIN, PICKENS & RIDDELL,
Washington, D.C., June 15, 1962.

HON. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: When I appeared before your committee on Friday, May 25, 1962, on behalf of the Republic of India in connection with the bills H.R. 11730 and 11725, I was asked by the Honorable W. R. Poage whether or not the Republic of India was willing to make a commitment that all of the funds derived from the sale of Indian sugar in the United States would be deposited in American banks and disbursed only for the purchase of American agricultural products. At the time I stated that I did not have the authority to answer the question but would supply the information for the record.

After consulting with my clients and representatives of the Republic of India, I am authorized to say that while every dollar that the Republic of India is permitted to earn by the sale of sugar in the United States will be spent in the United States and, if it is desired, would remain in American bank accounts, that the Republic of India would prefer the latitude and freedom to purchase commodities other than agricultural commodities, but that, in any event, the Republic of India would be willing to, if required to do so, use at least 50 percent of the funds derived from the sale of its sugar in the United States for the purchase of agricultural commodities in the United States.

Sincerely yours,

JAMES W. RIDDELL.

Mr. POAGE. On page 6 of your statement, referring to the table entitled "United States-India Trade," does that include Public Law 480 imports?

Mr. RIDDELL. Yes, it does, sir. I have the figures broken down, excluding the Public Law 480 shipments. I am now prepared to insert them in the record if you would like them, sir, or I can read them, if you would like that, for that period.

Mr. POAGE. Just put the tabulation in the record. They are an important figure to me.

Mr. RIDDELL. All right.

India, in 1956—and I will read them for the period 1956 through 1961—imports without Public Law 480 shipments were $236 million; the Public Law 480 shipments were $31 million; total of $267 million.

In 1957, imports were only $149 million, whereas Public Law 480 shipments were $191 million; total of $340 million.

In 1958 India's imports, without taking into consideration Public Law 480 shipments, were $173 million; Public Law 480 shipments were $150 million; a total of $323 million.

In 1959 India's imports, without considering Public Law 480 shipments, were $196 million; Public Law 480 shipments were $194 million; total of $390 million.

In 1960 India's imports were $265 million; shipments under Public Law 480, the first year of this big 16-million-ton slug of wheat were $375 million; total of $640 million.

In 1961, $306 million of imports; $176 million of Public Law 480 shipments; total of $482 million.

On balance, sir, leaving aside or excluding completely Public Law 480 shipments, India's trade with the United States has shown an unfavorable balance in favor of the United States, and this will grow.

India has got to have dollars to spend dollars. If she cannot sell she cannot make dollars. If she does not have dollars she cannot buy. It is as simple as that. You cannot create something out of nothing.

If we have a market for the goods of India, particularly for the sugar, and dollar for dollar is spent right here in the United States for the benefit of American citizens——

Mr. POAGE. I do not agree with you entirely. However, your statement about foreign trade, I think that is true whether you are speaking about India or speaking about Brazil or whether you are speaking about the Fiji Islands or Ecuador.

Mr. RIDDELL. That is correct.

Mr. POAGE. It is the same principle that applies to every one of them. They cannot buy more from the United States than they sell us unless we make gifts to them. I realize that. And I think you make that very clear.

Mr. RIDDELL. May I add this point, sir?

Mr. POAGE. Yes.

Mr. RIDDELL. India's population is today around 438 million people. Those 438 million people represent virtually an untapped market. They do not have anything. They want to buy. They want to have American goods. They need everything we produce.

Mr. POAGE. I think that kind of argument would get the least amount of help in the world. They, of course, have the smallest income in the world. And, obviously, they are dependent on help. I think that they would purchase if they had the money. But I doubt the advisability of simply basing a sugar quota upon the lack of income in a nation.

Mr. RIDDELL. I agree with you, sir. It is a business proposition. And from a business point of view, you, as representatives of the American people, will enact a statute which will reach down to the greatest benefit of the United States.

Mr. POAGE. I understood from our Latin American friends that they have to face the same proposition. But I do not think that it is well to insure the future where we are not sure that our investment is going to be returned to us. I say in all frankness that any government that will step in and take from another friendly government, as India did from Portugal, would take from the United States—they would not draw the line. If they will take from Portugal, they will take from America. I fear for any American investments in any land that does not follow the rules of civilized nations as to sovereignty.

Would you suggest that we take those risks? To the contrary, we can feel that people who, at least, have never indicated that they varied that far from our views as to morality, are a better risk. We can deal with them. I am not saying that India has violated her own rules of morality, but they are not our rules.

Mr. RIDDELL. I would not suggest—I would not be so presumptiuous as to suggest any parallels in our own history to that which India took with respect to Goa. I certainly am not in a position, by virtue of pure ignorance, to address myself to the political and social implications of India's action in Goa.

I am here as a lawyer who must take his case as he finds it and do what he can with it. And I hope only to persuade you that if you give India some opportunity to earn dollars here she will spend them here, that her ties with the United States will grow stronger thereby.

Mr. POAGE. I am not afraid of that. I am very much afraid of making our future dependent upon trade with someone where I am not at all sure that we will get back that which we invest merely from the standpoint of the government taking it. If the government will take Portuguese property, it will take American property. All I am saying is that when I see somebody go in my neighbor's house and move out the piano I am not going to assume that that is the kind of a fellow that I want to come in my house, because I think that he might carry out my bedroom furniture.

Mr. RIDDELL. Nationalism as we have found from our own history, is a thing that is often unbridled in the youth of a nation. Today the older and more established nations of South America are not beyond taking or expropriating U.S. property. And, certainly, I cannot condone that. I suggest only, sir——

Mr. POAGE. Do you think that Brazil helped her chances to get a sugar allotment by her expropriation of the telephone company?

Mr. RIDDELL. May I go off the records, sir—h--- no. [Laughter.]

The CHAIRMAN. If there are no other questions, we thank you very much, Mr. Riddell.

Mr. RIDDELL. Thank you.

The CHAIRMAN. Our next witness, Mr. Robert A. Christman, of Christman & Co., sugar brokers, I understand desires to submit a statement for the record.

Mr. Christman?

STATEMENT OF ROBERT A. CHRISTMAN, CHRISTMAN & CO.

Mr. CHRISTMAN. That is correct Mr. Chairman.

My name is Robert A. Christman. I appear as the representative of certain beet sugar exporters of the Netherlands.

The CHAIRMAN. I understood that you wanted to file your statement for the record.

Mr. CHRISTMAN. Yes, sir, I do.

The CHAIRMAN. How long is your statement?

Mr. CHRISTMAN. I just wish to read one paragraph now, to avoid taking up the time of this committee.

Our clients wish only to introduce into the record a brief statement outlining their strong interest in a continuation of the U.S. sugar quota for the Netherlands at about the present level; and, also, a continuation of the privilege of entering that quota in direct consumption form.

May I with your permission file a statement for the record?

The CHAIRMAN. Yes, sir; you may have permission to file a prepared statement in the record at this point.

(The statement follows:)

STATEMENT OF ROBERT A. CHRISTMAN ON BEHALF OF CERTAIN NETHERLANDS BEET SUGAR PRODUCERS AND EXPORTERS

My name is Robert A. Christman, a partner of Christman & Co., 120 Wall Street, New York, a sugar importing, exporting, and brokerage firm. This statement is presented on behalf of four beet sugar producers and exporters of the Netherlands, whose names appear in full at the end of the statement.

It is the desire of our clients to put before this distinguished committee the following points:

1. To record their appreciation for the fact that refined sugar from the Netherlands has been allowed to enter the U.S. market in each and every year since 1948, and particularly that in the 1956 revision of the Sugar Act, the Netherlands received a fixed basic quota, together with a modest share in the annual growth of this market. The Netherlands' total annual allowable based on the present law, including the legally prescribed share of the former Cuban quota reallocations, would be 10,000 short tons, raw value, all eligible in direct-consumption form.

2. To express to the committee the strong and continuing interest which the Netherlands' sugar interests have in maintaining the current effective quantity of refining sugar eligible for entry in the United States at approximately present levels. Notice is called to the fact that the Netherlands does not necessarily seek any increase in this quantity (unlike many other countries) but simply the continuation of what has heretofore been her share. Of course a modest increase, if such be the will of the committee, would be most welcome.

3. To put before the committee the importance of permitting the total quantity of sugar permitted entry in this market from the Netherlands to come in as refined sugar for direct consumption. This importance stems from the fact that Holland is exclusively an exporter of high-quality refined sugar produced from native-grown sugarbeets; she is not and cannot be an exporter of raw sugar.

4. To place in the record the firm opposition of the Netherlands' sugar industry to those provisions of the administration's proposed sugar bill, H.R. 11730, requiring the so-called global quota, the premium recapture and the special levy applicable to white sugar for direct consumption. Since the chairman and the full committee have already expressed their opposition to these points in the administration bill, further argument would seem superfluous.

5. To express the opposition of the Netherlands' sugar interests to section 5 of the administration bill, dealing with sugar-containing products.

It is surely necessary to remind this committee that the Netherlands does a substantial export trade to the United States in various food items such as candy, preserves, etc. The effect of this vaguely worded section of the administration bill would be that the Dutch shippers of sugar-containing products would

have no certainty, from one moment to the next, as to whether or not any sugar-containing item might be deemed chargeable to the sugar quota for the Netherlands. By the same token, the shipper of sugar itself would be subjected to the very uncertainties created by the possible inclusion of such products in the calculation of the country's quota.

6. To remind the committee of the historic ties of friendship and mutual esteem existing between the United States of America and the Netherlands, and especially to call attention to the vast (by comparative standards) volume of trade carried on between the two countries, especially in agricultural products. This volume of trade results in an unfavorable balance to the Netherlands, overall, of about 3 to 1, but within the agricultural sector, the figure is about 4 to 1. This trade results exclusively from dollar purchases—there are no grants, AID programs, Public Law 480 programs, etc., for the Netherlands. To illustrate, a very few figures are given below. In the belief that these speak for themselves, no comments are added.

U.S. exports of agricultural products to the Netherlands, in millions of dollars:

1958	205	1960	320
1959	319	1961	318

For comparative purposes, U.S. purchases of Netherlands agricultural products ranged from a high of $88 million to a low of $76 million in the same 4 years.

The Netherlands' purchases of selected agricultural products in the United States compared to total purchases from all sources:

	Percent		*Percent*
Wheat flour	100	Cotton	44
Wheat	48	Tobacco	27
Feed grains	68		

The population of the Netherlands is about 11.6 million.

In conclusion, it is the earnest and sincere hope of our clients, four sugar producers of the Netherlands, that considering the ties of friendship and value of trade between our two countries, that the Netherlands' privilege of entering direct-consumption sugar in the American market will be continued about as at present in the new sugar bill on which this committee is now working. The Netherlands has demonstrated that she is a reliable and consistent source of limited quantities of sugar for the United States and it is respectfully urged that equity as well as economics justify a continuation of that role.

Thank you for permitting us to submit this statement for your consideration.

On behalf of Centrale Suiker Maatschappij, N. V., Herengracht 493, Amsterdam, Holland; Verenigde Cooperatieve Suikerfabrieken, G. A., Gevestigd, Te Dinteloord, Stampersgat, Holland; Friesch-Groningsche Cooperative Beetwortelsuikerfabriek, G. A., Postbus 113, Groningen, Holland; and Eerste Nederlandsche Cooperative Beetwortelsuikerfabriek en Raffinaderij, G. A., Sas Van Gent, Holland.

The CHAIRMAN. Without going into your statement, let me ask what is the substance of the statement?

Mr. CHRISTMAN. There are three major points in our statement. Firstly, the opposition of the beet sugar producers of the Netherlands to the administration's global quota and premium recapture scheme.

Secondly, an expression of their interest in a continuation in future sugar legislation of the sugar quota which Holland now enjoys at about the present level.

The CHAIRMAN. Thank you very much.

Mr. MCINTIRE. What proportion of sugar quota has Holland now?

Mr. CHRISTMAN. Holland has a basic quota of about 4,000 tons.

The CHAIRMAN. You represent a Holland company?

Mr. CHRISTMAN. Yes, sir; four of them.

The CHAIRMAN. You are a broker and an importer?

Mr. CHRISTMAN. Yes, sir. We are one of their brokers and importers.

The CHAIRMAN. Thank you again.

Now we will hear from Mr. George Bronz of the Irish Export Board.

STATEMENT OF GEORGE BRONZ, IRISH EXPORT BOARD

Mr. BRONZ. Mr. Chairman and members of the committee, may I have the leave of the committee to file a written statement for the record on behalf of the Irish Export Board?

The CHAIRMAN. Yes, sir.

(The prepared statement follows:)

STATEMENT OF THE IRISH EXPORT BOARD ON PENDING SUGAR LEGISLATION

The Irish Export Board, seeking to expand Irish trade with the United States, urges that sugar legislation assign a permanent modest quota for Irish sugar, and permit continued imports of Irish products containing sugar.

A PERMANENT SUGAR QUOTA FOR IRELAND

The first Irish sugar in history is reaching the United States under a small 1962 quota. Ireland should be allotted a permanent modest quota, because:

1. Like the United States, Ireland manages its sugar economy to provide stable domestic supplies at reasonable prices.
2. Ireland is one of the world's most efficient beet sugar producers. Without special subsidy, Ireland's prices are near the lowest, and its consumption near the highest in the world.
3. Acreage is restricted to home requirements and export opportunities in the United Kingdom and (for the first time, in 1962) the United States. Other markets are either closed or geared to low-priced residual tropical sugar.
4. Ireland, per capita, is one of America's best customers, especially for agricultural products.
5. A permanent modest quota would provide safe nearby supplies, encourage efficient Irish agriculture, strengthen U.S. export markets, especially for agricultural products, and strengthen bonds with a firm friend.

Ireland, almost wholly dependent upon imported sugar before the war, has so improved and expanded its beet culture and processing that it is now in the position of a net exporter of sugar. It has been allotted a quota of 5,000 tons for importation into the United States during the first half of this year, and hopes to be given a permanent position among the suppliers of the United States.

Ireland is now one of the world's most efficient producers of beet sugar. The Irish sugar growers and the Irish sugar industry supply the domestic market profitably at a price far below the domestic price in almost every other sugar-producing country in the world outside of tropical areas. Ireland is consuming today about as much sugar, per capita, as does the United States.

Consumption and price of sugar—Ireland compared with leading western European producing countries and with United States

	Consumption per capita 1959	Retail price per pound Jan. 1, 1960
Ireland	101.0	8.7
France	74.3	11.5
Germany (West)	67.5	13.5
Italy	45.0	17.6
United States	103.8	11.6

Source: U.S. Department of Agriculture, Statistical Bulletin 293, table 86; latest available data used above.

The growing of sugarbeets holds a high priority in Ireland's agricultural planning, not only because of the efficiency achieved, but also because beet culture as practiced in Ireland is peculiarly adapted to the maintenance of the small family farm. Beet agriculture and beet processing have matured together, a striking example of the type of economic development which offers the greatest promise for raising Ireland's standards of living. The Irish Export

Board is glad of the opportunity afforded by this statement to record its gratitude to Dr. Leech, of the University of California, a leading expert on beet-seed treatment, and Mr. Austin Armer, of Davis, Calif., an expert on beet-harvesting machinery, whose technical assistance was made available some 10 years ago under the Marshall plan, and whose advice proved to be of major importance in the spectacular success of Irish beet sugar.

Now, Ireland is compelled to restrict beet acreage to keep production within the demands of its domestic market, and of the few opportunities it has to export to the markets which are both open to it and insulated from the very low current prices of residual tropical sugars.

Ireland's beet production pays its own way, with generous margins. Selling at unsubsidized and fully compensatory prices, the Irish sugar industry provides the Irish consumer with sugar at a price among the lowest in the world, outside tropical areas. Ireland has no desire to enter into the scramble to dump residual sugar on the uncontrolled international market, and, therefore, seeks only outlets which can absorb its production at the very modest prices at which it can sell profitably. On this basis, Ireland has been shipping sugar for many years to the United Kingdom market, wheret it has been possible to realize adequate returns, and, in 1962, was permitted for the first time to ship 5,000 tons to the United States. Ireland hopes that the new sugar legislation will afford it an opportunity over a longer period of time to become a steady supplier to this market.

Ireland is one of America's good customers. In recent years, Ireland has been buying about $50 million of American goods, against $30 million in trade the other way, a favorable balance for the United States of about $20 million. All of these purchases are on commercial terms. Ireland has had no foreign aid of any kind for over 10 years. Except for a very small program in the early days of the Marshall plan (including the technical assistance noted above which proved so fruitful for Irish beet culture), Ireland has had no assistance from the United States, and has asked for none.

Over half of Ireland's purchases here have been of agricultural products, notably tobacco (over $13 million in 1960) and corn (almost $6 million). Ireland's purchases of American agricultural products alone aggregate almost $10 per capita, one of the highest figures in the world, and Ireland also purchases almost an equal quantity of manufactured products from the United States.

In bidding for a share of the 1962 quota, Ireland agreed on extra purchases of agricultural products in a quantity far above the average. A release of the Department of Agriculture shows that 154,000 short tons of sugar allotments were made in return for commitments by eight countries to buy surplus commodities valued at $21 million, or an average of $136 per ton of sugar. Ireland's offer was much above this average.

Like the United States, Ireland makes provisions for sugar imports outside its controls solely for use in manufacturing for export. The occasional imports of sugar into Ireland reported have been in this category. None of the imported sugar is consumed in Ireland, nor is it exported to the United States. Even for this drawback-type arrangement, Cuban sugar is not eligible, and imports in recent years have come only from countries to which the United States extends most-favored-nation trade treatment.

The Irish system of sugar production is geared to processing and refining in modern facilities fully able to handle Ireland's beet crop. Therefore, Ireland's interest is in the privilege of shipping direct consumption sugar to the United States. Ireland would be pleased with a quota of 10,000 tons, the quantity admissible as direct consumption sugar under section 6 of H.R. 11730, or could undertake a moderately higher commitment if the limit on refined sugar is raised.

IRISH PRODUCTS CONTAINING SUGAR

Section 5 of the bill, H.R. 11730, would give the Secretary of Agriculture sweeping powers to expand Sugar Act controls to cover all products containing sugar. Since sugar is an ingredient of almost all processed food products, and many industrial products as well, section 5 carries the potential of subordinating a huge area of U.S. international trade policy to sugar policy.

The immediate interest of the Irish Export Board is in the possible effect of section 5 on the very small trade in an Irish specialty, chocolate crumb. This product, made of chocolate, milk solids, and sugar, is an intermediate product used in the manufacture of chocolate-coated candies. Made with whole (rather

than skimmed) milk, it is a premium product selling at a premium price. It is a major Irish export to the United Kingdom, Canada, and other countries. It was introduced in the United States, in 1959, and its acceptance here has been slow, as the following table shows:

Chocolate crumb—Irish exports to the United States

	Long tons	Dollars (thousands)
1959	41	20
1960	90	43
1961	152	66
1962 (2 months)	5	2

Source: Irish Trade Statistics.

Ireland's opportunity to sell this tiny volume of chocolate crumb was twice threatened within the past 2 years. In 1960, the Agriculture Department issued a regulation which purported to expand the definition of dairy products subject to import control to include chocolate crumb. We persuaded the Department that the regulation was unauthorized by law, and it was rescinded. Less than a year later, another part of the Department of Agriculture published a proposed regulation which would have subjected chocolate crumb to import control as "sugar." Again, a detailed legal memorandum had to be submitted to show that the proposed action was unauthorized by law. Thus, in less than a year, we had to prove to the Department of Agriculture first, that chocolate crumb was not "milk," and then that it was not "sugar." Now, the Department seeks the power, in section 5, to do what it has never been authorized to do in the past.

Section 22 of the Agricultural Adjustment Act provides that if imports of a product made from an agricultural raw material seen to be impairing the effectiveness of any agricultural program, the Secretary of Agriculture may institute proceedings, and the President may impose appropriate import restrictions, on the basis of a Tariff Commission investigation. The effect of section 5 would be to scrap this established procedure (applicable to all other agricultural programs) when sugar is involved, and make the Department of Agriculture (which serves as the prosecutor in sec. 22 cases) the judge and jury when sugar is involved.

Chocolate crumb would not even have the benefit of the "grandfather clause" provision of section 5 of H.R. 11730, which establishes a presumption in favor of sugar-containing products imported in 3 of the 5 years "prior to 1960." Chocolate crumb was first shipped to the United States in 1959, although it was produced in Ireland, and exported to other markets, long before.

Section 5 should be deleted from the bill.

Mr. BRONZ. I may say there are two points that we are asking the committee for. First, that Ireland be permitted a modest quota to supply sugar to the United States. And secondly, to express doubt about the provisions of section 5 of the bill affecting products containing sugar. There is one product in particular which has been shipped from Ireland to the United States which contains a small amount of sugar and continued importation of which might be threatened by this provision.

The CHAIRMAN. And may I ask you a question: Where does Ireland get the sugar from that it sends to the American market?

Mr. BRONZ. It is grown in Ireland from beets—beet sugar.

The CHAIRMAN. It did not come from Poland?

Mr. BRONZ. No, it is all Irish sugar, every bit of it.

The CHAIRMAN. We will next hear from Mr. Edward L. Koepenick, representing the South African Sugar Association.

We will be glad to hear you now.

STATEMENT OF EDWARD L. KOEPENICK, ON BEHALF OF THE SOUTH AFRICAN SUGAR ASSOCIATION; ACCOMPANIED BY W. VAN de LAAR (ADVISER), COMMERCIAL COUNSELOR, SOUTH AFRICAN EMBASSY, WASHINGTON, D.C.

Mr. KOEPENICK. Mr. Chairman and members of the committee, may I first introduce Mr. William Van de Laar who is the commercial counselor of the South African Embassy in Washington.

The CHAIRMAN. We are glad to have you with us.

Mr. KOEPENICK. My name is Edward L. Koepenick. I am a practicing attorney in the District of Columbia, and I appear this morning to speak for the South African Sugar Association, a group of private producers and refiners.

Before I mention the sugar legislation which your committee is considering, may I point out that South Africa has always been a stanch ally of the United States in the fight against world communism. South Africa has given repeated evidence of this by voting solidly with the United States against the Red bloc in the United Nations. South Africa does not maintain diplomatic relations with the Soviet Union or Red China, and is not represented in Cuba. Moreover, South Africa has always cooperated fully with U.S. defense efforts—and actually has permitted the United States to maintain a missile tracking station on South African territory.

In connection with the United States sugar program, the South African Sugar Association, at this time, is merely seeking to obtain an equal, and impartial, opportunity to replace Cuban sugar in the U.S. market as long as such an emergency exists—and as long as such provisions are written in new sugar legislation. Naturally, if Congress sees fit to give additional foreign nations permanent quotas, South Africa certainly would appreciate receiving favorable consideration.

Earlier this year, South Africa submitted a specific offer to buy 65,000 long tons (i.e., 72,800 short tons) of U.S. wheat in return for the opportunity to supply the U.S. market with 30,000 short tons of sugar—or over 2.6 tons of U.S. wheat for each ton of South African sugar. While details on offers by other countries have not been disclosed, I believe that South Africa's proposal probably was more advantageous to the United States from an economic standpoint than some of those that received nonquota authorizations.

I am aware that, under the present Sugar Act, Western Hemisphere countries are given preference in nonquota authorizations. I also have observed that international diplomacy sometimes requires that greater inducements be given to countries which vacillate on the question of communism. Moreover, special consideration apparently is given to underdeveloped nations.

Of course, South Africa's firm stand against communism is well known, and its traditional friendship for the United States has been demonstrated on innumerable occasions. In World Wars I and II, South African troops marched alongside of American GI's, while in Korea a South African flying squadron helped Uncle Sam's aces sweep the skies. Moreover, South Africa is rather proud to say that although it is a relatively small nation, it always has stood on its own two feet—and never has called on the United States for economic aid.

This, I believe, should be to South Africa's credit in the determination of U.S. sugar authorizations.

South Africa has been an independent nation for over 30 years, and is no longer a member of the British Commonwealth. In some respects, South Africa has an early history that is similar to that of the United States. However, while American colonists, in some instances, had to wrest the land from the Indians, most of the virgin soil tilled by the settlers in South Africa when first occupied was unoccupied by the natives. In fact, it was the economic prosperity of the Dutch and English settlers that caused the natives to gravitate down to South Africa. And don't let anyone tell you that South Africa is not vitally concerned with the economic well-being of its natives, who enjoy the highest income of any native race in the entire continent of Africa.

However, because of the tremendous surplus of sugar in the world market, production in South Africa will have to be cut back almost 25 percent this year. This will cause thousands of natives to lose their jobs. Despite high-sounding words, a full belly is a far better shield against communism than mere platitudes. South African natives would be reemployed if its sugar could be sold in the U.S. market.

The South African sugar industry is one of the largest employers of native labor (almost 80,000 during the May–December peak of the season). The sugar is grown mainly on small farms operated by about 1,500 whites and about 5,000 nonwhites.

It has been estimated that the 1962–63 crop, if unrestricted would produce about 1,380,000 short tons of sugar. Local consumption normally would take about 760,000 tons of this, which would result in a surplus of 620,000 tons. South Africa has plenty of sugar, and it can reach the United States within 1 month, which is less than the sailing time of some present U.S. suppliers.

Like most of the sugar-producing nations of the world, in order to maintain its domestic industry, South Africa permits sugar to be sold in its local market at a price somewhat higher than that in the depressed world market.

In connection with the so-called global quota, the South African Sugar Association feels that it is not within its province to comment. I noticed in the Wall Street Journal this morning and, also, in the Congressional Record, that this committee has tentatively agreed to drop the global quota.

I merely would like to mention that it naturally is interested in selling sugar in the market where the best price prevails. Of course, if the price in the U.S. market is higher than that of other countries, South Africa will have a greater incentive to sell to the United States.

The United States has always enjoyed a favorable trade balance with South Africa. In recent years, even with the United States buying large quantities of strategic war materials from South Africa, U.S. imports from South Africa totaled only about $200 million annually, while U.S. exports to South Africa were about $300 million (including about 70,000 to 75,000 bales of U.S. cotton per annum). In the period before the importation of strategic war materials, the balance of trade with South Africa was even more favorable to the United States.

In conclusion, the South African Sugar Association merely requests that its sugar offers be given favorable consideration if the new legislation calls for the temporary replacement of Cuban sugar. While

crop conditions in South Africa naturally will be the determining factor in the quantities of surplus U.S. agricultural products that it can purchase, wheat and cotton are the commodities that most likely would be involved in such transactions.

May I add, at this time, that this presentation has been rather hastily prepared, because the South African Sugar Association did not expect that nonquota countries would testify at these hearings. Although I am well acquainted with the background of U.S. sugar legislation, I have not had the time to completely familiarize myself with the facts and figures on South Africa. Consequently, if members of the committee have any questions, I will endeavor to obtain the answers, and present them as soon as possible.

The CHAIRMAN. We thank you very much, Mr. Koepenick, for your statement. I am certain that the committee will give it careful consideration. Are there any questions? If not, we are obliged to you for your appearance.

Mr. KOEPENICK. Thank you very much.

The CHAIRMAN. The next witness is Mr. Philip Rosenberg. We will be glad to hear you now.

STATEMENT OF PHILIP ROSENBERG, MIAMI BEACH, FLA.

Mr. ROSENBERG. Mr. Chairman and members of the committee, I have a prepared brief memorandum concerning the effects of the proposed new Sugar Act upon the future prospects of the Cuban sugar refining industry for such time as Cuba returns to a democratic form of government. I ask permission to file that memorandum in the record.

The CHAIRMAN. Without objection, it will be made a part of the record at this point.

(The prepared memorandum follows:)

MEMORANDUM CONCERNING EFFECT OF THE PROPOSED NEW SUGAR ACT UPON FUTURE PROSPECTS OF CUBAN SUGAR REFINING INDUSTRY (FOR SUCH TIME AS CUBA RETURNS TO A DEMOCRATIC FORM OF GOVERNMENT)

The undersigned, Philip Rosenberg, states that he is an American citizen born in Brooklyn, N.Y., that he has been employed in the Cuban sugar industry since 1922; and that since 1946 he has been president of the Vertientes-Camaguey Sugar Co. of Cuba, a producer of raw and refined sugar whose properties located in Cuba of a value in excess of $93 million have been confiscated by the Castro Government; that the Vertientes-Camaguay Sugar Co. of Cuba is owned by about 6,000 stockholders, predominantly Americans; and that he is presenting this memorandum on behalf of that company and on behalf of other members of the Cuban sugar refining industry.

The Vertientes-Camaguey Sugar Co. and members of the refining sector of the Cuban sugar industry are deeply concerned about Cuba's raw sugar quota as well as the direct consumption portion thereof. Inasmuch as discussion of the Cuban raw sugar quotas, in which we are also vitally interested, is being amply presented by others, this memorandum will be confined to the direct consumption allotment.

The new bill apparently proposes that the present direct consumption allotment of 375,000 short tons, which has been enjoyed by Cuba for many years, be completely eliminated or substantially reduced.

Cuba's direct consumption allotment dates back to the Jones-Costigan law enacted in 1934. Under the provisions of that law, a direct consumption quota for Cuba was established equivalent to 22 percent of Cuba's raw sugar quota. In the subsequent Sugar Act, Cuba's direct consumption allotment was fixed at a flat 375,000 short tons per year to eliminate fluctuations, and over the

ensuing years this has become an unchanged and historically permanent quota both in theory and practice.

The elimination, or even the reduction of Cuba's direct consumption allotment would greatly damage not only the interests of all persons involved in the Cuban sugar refining industry, but it is believed the interests of the United States also would be gravely affected. Following are some of the primary consequences and implications if the Cuban direct consumption allotment is eliminated:

(1) The Cuban refined sugar industry is comprised of 22 refineries which employ a few thousand Cuban laborers who earn some millions of dollars in wages. Some of the refineries are attached to marginal raw sugar mills which were able to continue to operate mainly because of their refined sugar operations—thus providing those many hundreds of laborers with sources of work and wages. A reduction in the direct consumption allotment would probably result in the shutting down of a majority of such refineries with its serious detrimental effect upon the laborers involved.

(2) When Cuba becomes freed from Communist domination and returns to a democratic form of government, the elimination or reduction of the Cuban direct consumption allotment would make the refining industry uneconomical and probably cause its destruction. This possibility unquestionably will have a demoralizing effect upon the ranks of Cuban labor, which at this time is demonstrating daily an increasing opposition to the Castro regime. It must be realized that Cubans today are living in hope that the oppressive Communist regime will be overthrown, and that with the advent of a democratic government they will return to their normal jobs and decent living. The demoralizing effect caused by the probability of the destruction of an industry, and the corresponding loss of employment, will extend and reach over to the great mass of workers who might feel that, although engaged in other fields of industry they too might be subjected to the same fate. Unemployment in one industry usually affects or creates unemployment in another.

(3) It must be realized further that the Alliance for Progress also would be affected adversely since the alliance stands for the industrialization of Latin American nations toward their self-sufficiency and prosperity. It would therefore appear contradictory to alliance goals to bring about the destruction of an already existing sugar refining industry involving a large number of workers earning millions of dollars of wages. Whatever explanations might be given, it would appear to the workers and operators of Latin American enterprises that this is a grossly self-serving act in detriment of already established industries. No doubt this would be exploited by the Castro-Communist propaganda machine which already has pledged itself to the destruction of the Alliance for Progress. It most probably would create also a situation of confusion among a great number of other workers both in Cuba as well as throughout Latin America, and anti-U.S. sentiment could easily result as a natural consequence.

In conclusion: This does not appear to be the time to change the sugar quotas, either raw or direct consumption. The continuance of the U.S. direct consumption allotment is essential to the Cuban refining industry for such time as Cuba returns to a democratic form of government. Without it the industry will be destroyed. The maintenance of the Cuban direct consumption allotment does not alter the sugar producing quotas of domestic beet or cane sugar producers. By eliminating or reducing the Cuban direct consumption allotment, the only advantage to U.S. domestic industry would be an extremely small percentage increase to U.S. refineries which is neither essential nor vital to the U.S. refining industries; but which to Cuba, is a matter of survival or destruction of an entire industry which was created in good faith based on a historical quota resulting from the Jones-Costigan law and the existing U.S. Sugar Act.

The Cuban direct consumption allotment always has been substantially filled year after year irrespective of international conditions or market fluctuations.

It is regrettable that the whole Cuban sugar quota situation is being adversely considered at this time, and actions such as the proposed elimination or reduction of the Cuban direct consumption allotment might well boomerang and become a deterrent to the investment of American capital in Latin America. Such capital not only must contend with the peculiarities of the laws of individual Latin American nations themselves, but changes in the U.S. Sugar Act reducing or eliminating the Cuban direct consumption allotment might be interpreted that all foreign investments also are subject to the possibilities of changes in U.S. legislation which eliminate the incentives and protection under which such investments were made.

Recommendation: In the best interests of the United States and its allies in the Western Hemisphere, and especially of the prospects for the Alliance for Progress, the Cuban direct consumption allotment should be maintained as part of that country's sugar quota in the new Sugar Act presently before Congress, for the time when Cuba returns to a democratic government.

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. ROSENBERG. I am president of the sugar company which has 6,000 stockholders, predominantly Americans.

The CHAIRMAN. And the value of the property in Cuba?

Mr. ROSENBERG. The property in Cuba has a value in excess of $93 million that has been confiscated by the Castro government.

The CHAIRMAN. You are, also, speaking in your statement for all of the other people whose properties have been confiscated?

Mr. ROSENBERG. Yes; all of the sugar properties have been confiscated.

The CHAIRMAN. We are very glad to have your statement.

Mr. ROSENBERG. I am speaking for the time when Cuba returns to a democratic form of government, not for the present Castro government.

The CHAIRMAN. I know that.

Mr. ROSENBERG. We have all been Castro-ated. [Laughter.]

The CHAIRMAN. Thank you again. I want to insert into the record a communication from the Australian Embassy, on behalf of Australia, a supplemental statement which will be made a part of the record at which they testified.

Mr. POAGE. I would like to have permission to file a statement on Monday for the Cuban refugees.

The CHAIRMAN. Without objection it may be filed.

(The statement follows:)

IN DEFENSE OF THE POSITION OF CUBA AS A SUPPLIER OF SUGAR TO THE U.S. MARKET

(By Dr. Jose Miro Cardona)

FOREWORD

At this crucial moment in Cuba's history she is defenseless before the U.S. Congress and administration, when the destiny of the country for many years shall be decided by the amendment and extension of the Sugar Act, now considered in Congress. The country has been taken over by the most ruthless dictator in its history, under control of international communism. While representatives of other foreign countries are strongly pressing the State Department and Congress for the spoils of Cuba's sugar quota, Cuba has no government to represent her.

The Revolutionary Council of Cuba, over which we preside, does not have the status of a Government-in-exile. In this sense we cannot pretend to legally represent Cuba as a nation, but we feel that in presenting this plea we are expressing the views and aspirations of the enslaved Cuban people. If only as a Cuban concerned with the future life of his fatherland and its people, and discharging our responsibilities as president of the council, we believe it is our duty, and it is proper, to submit this document in defense of Cuba, with the purpose of proving, and the expectation of convincing the Congress and the administration of the United States, that the maintenance of an adequate quota for Cuba is necessary to maintain the fighting spirit of the Cuban people and is the only feasible means of rebuilding the economic and democratic social structure of the country after its liberation, which we believe not to be far away.

I. THE POSITION OF CUBA AS A SUPPLIER OF SUGAR FOR THE U.S. MARKET

1. Cuba is the only country with capacity to supply all the sugar that may be required by the American market over the domestic production. While a democratic country it has been the only one with the willingness necessary to guarantee supplies for the American market. In the words of Mr. Lawrence B. Myers (address to the Sugar Club in New York on February 15, 1962), who is an authority on sugar in the United States and one of its most respected civil servants, "Cuba had the ability and willingness necessary to guarantee supplies for the American market. *No other country has that ability.*" [The emphasis is ours.]

2. Cuba's capacity of production and flexibility of expending its output, is proven by performance. In 1952 a peak crop of about 8 million tons was produced. This and other tonnage mentioned in this document are in short tons unless otherwise expressed. The industrial potential is still larger. Its lowest output was of 2,266,000 tons in 1933, when the production was adversely affected by the high Smoot-Hawley tariff. The flexibility of Cuba's ability to reduce or increase production of sugar is demonstrated by the fact that in 1941 the production was 2,734,000 tons which, in the war emergency (1942) was increased to 4,517,000 tons.[1] It was reduced to 3,230,000 tons in 1943 at the request of the U.S. Government and again increased in 1944 to 5,646,000 tons[1] when such expanded production was necessary to provide the war needs of the United States and allied nations. We must repeat it: "*No other country has that ability.*"

3. In peacetime, Cuba has supplied, as an average 28.6 percent of the requirements of the United States during the period 1934–41 and 37.5 percent during the period 1948–59. In wartime (1942–47), Cuba supplied 44.6 percent of the U.S. market requirements. Other countries took advantage during the war of high world prices while Cuba, dutifully and faithfully, gave its sugar to the United States and allies at a much lower price.

4. Cuba's quota (by quota we mean the raw sugar quota, including 375,000 tons raw value of direct consumption sugar, plus 7,970,558 gallons of liquid sugar) at the domestic price of the United States has been since 1934 the foundation of the trade relations between the two countries before and after GATT (General Agreement on Tariffs and Trade). The sugar legislation of the United States has consistently recognized, since 1937, the position of Cuba as a supplier of sugar of the U.S. market within the framework of the three quotas: raw, refined, and liquid sugar.

II. THE SUGAR QUOTA IS BASED ON TRADE NOT AID

5. It has been, as frequently as erroneously, stated that Cuba's sugar quota in the United States, and especially the difference between the world market price and the U.S. price, was given to Cuba in the first Sugar Act of 1934 as aid to save Cuba from the economic chaos in which the country was plunged as a result of the Smoot-Hawley tariff. The concept that the difference between the world market price and the U.S. domestic price is a "premium" for foreign relief, is a misconception, even if the ultimate result of the first Sugar Act was to aid Cuba at the same time that protection was given to the domestic industry of the United States. Surely one of the purposes of the act, as expressed at the time by President Roosevelt and Secretary Wallace in statements so well known they do not need to be quoted, was to help Cuba *but through the expansion of trade* between both countries and not as a mere grant for relief. Besides, the Sugar Act clearly stated in 1934, and still states at present, as one of its objectives the promotion of the international trade of the United States. The preamble of the sugar acts and all their amendments has declared as the purposes of the act "to regulate commerce among the several States, with the territories and possessions of the United States, *and with foreign countries;* to protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry: *to promote the export trade of the United States;* and for other purposes." [The emphasis is ours.] In the light of such language it is baseless to state that the sugar quota and the payment of the domestic price to Cuba is a premium as grant or relief. It is the very *foundation* of the trade and tariff relations between Cuba and the United States.

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[1] The 1942 and 1944 crops include sugar equivalent of invert molasses, 717,000 tons in 1942 and 908,000 tons in 1944, made at the direction of the United States.

6. The trade relations resulting from the different treaties or commercial agreements concluded between Cuba and the United States prior to GATT, gave the United States great advantages which were compensated by the benefits which, as a counterpart, Cuba received from its share in the American sugar market, both in quantitative participation and price. This bilateral relationship was also the foundation of the negotiations between Cuba and the United States within the GATT, and of the resulting trade and tariff relations. The fact that the sugar quota was unilaterally established by the U.S. Congress is a matter of procedure and not of substance.

7. The quota as a counterpart of the trade and tariff concessions given to the United States by Cuba, made Cuba, virtually, an exclusive U.S. market. As a result of the GATT negotiations Cuba gave special tariff concessions to the United States on commodities which accounted for 95 percent of the total value of Cuba's imports from the United States in 1939 ("Sugar: Facts and Figures," United States Cuban Sugar Council, 1952 ed., p. 68). Notwithstanding the sugar income, the balances of trade and payments were usually favorable to the United States. The exports and imports in the trade between Cuba and the United States in the period 1955–58 were as follows:

[In millions of dollars]

Year	U.S. exports to Cuba f.o.b. value	U.S. imports from Cuba f.o.b. value
1955	$458.5	$421.6
1956	519.1	457.4
1957	621.5	481.8
1958	546.9	523.9

Source: "Statistical Abstract of the United States, 1961." Bureau of the Census, U.S. Department of Commerce.

8. A substantial portion of the dollars gained from sugar exports to countries other than the United States were used for purchases in and payment to the United States.

9. The fact that Cuba's quota was the foundation of the trade relations between Cuba and the United States and of Cuba's economic stability, was recognized by the U.S. Government in an exchange of letters between the Minister of State of Cuba, at the time Dr. Jose Manuel Cortina, and the Ambassador of the United States in Cuba, at the time George S. Messersmith, on December 23, 1941. Dr. Cortina's letter emphasizes "the gravity of the possibility of the adoption of measures *at any time* in the United States which might adversely affect the position of Cuba as supplier of sugar of the U.S. market as compared with those established by the provisions of the Sugar Act of 1937." It is stated in the letter "that such measures *would nullify* the objective of this agreement (1941) and of *the existing commercial relations*." Mr. Messersmith's letter recognizes the sugar position of Cuba in the United States as "of *vital importance* to the maintenance of the existing economic relations between both countries," adding "therefore my Government will make *at all times* every appropriate and possible efforts to safeguard that position." [The emphasis is ours.]

10. The obligation on the part of the Government of the United States to protect Cuba's position as supplier of the U.S. market was recognized by Congress in the Sugar Act of 1948. Section 202(d) of the act guaranteed Cuba the allotment of a quota of not smaller proportion of the total requirements of consumption in the continental United States "than the quota which would have been established for Cuba upon such consumptive estimate under the provisions of section 202(b) of the Sugar Act of 1937," which gave Cuba 28.6 percent of the total consumption of the United States.

11. In the 1951 amendment of the 1948 Sugar Act, the guarantee of a minimum quota for Cuba on a quantitative basis (2,116,000 tons) was substituted for the percentage guarantee of the amended act. The guarantee of 2,116,000 short tons for Cuba, as minimum quota is still in force. Whether the international obligation arising from the Cortina-Messersmith exchange of letters is of a percentage or of a quantity, has been subject of argument between the Governments of Cuba and the United States. The Government of Cuba (before Castro, of course) always maintained that the guarantee was of the 28.6 percent

and not of a quantity. The United States maintained the view of the quantitative guarantee. The point of discrepancy has never been settled, because Cuba's imports into the United States since 1941 have exceeded 28.6 percent of its total consumption.

III. THE MISTAKE IN THE REDISTRIBUTION OF CUBA'S RAW SUGAR QUOTA TO FOREIGN COUNTRIES

12. Since the cancellation of Cuba's quota by President Eisenhower in 1960, Cuba's quota has been reallocated on a country-allocation basis to foreign countries, with the benefit of the U.S. domestic price. In accordance with a trend of opinion, the reallocation of quota should not have been made at the U.S. price, but at the world market price, on the grounds that the difference of price between both markets was a premium paid to Cuba. The misconception of considering the domestic price paid to Cuba for sugars imported from Cuba into the United States as a grant premium has been proven above: but the principle that foreign countries are not entitled to the price of the U.S. market for the portion of Cuba's quota reallocated to them is fully justified.

13. The Cuban sugar quota in the United States at the U.S. market price was the foundation of reciprocal trade and tariff relations established between both countries. It was the counterpart of the concessions given by Cuba to the United States, the very raison d'etre of such concessions. Therefore when Cuba's quota is reallocated to a foreign country there is no justification for such country to enjoy the benefits that were granted to Cuba as a reciprocal concession for the trade and tariff advantages given by Cuba to the United States. The legal and economic reasons to receive the benefit of the U.S. market price are lacking. Consequently the foreign areas argument of "vested rights" to ask for an increase of their sugar quotas in the United States, because their supply of sugar to the United States as a result of the assignment to them of a portion of Cuba's quota, has neither legal nor moral support.

14. In the spirit of Western Hemisphere cooperation and the Alliance for Progress, the temporary situation of Cuba's slavery under communism cannot and should not give grounds to enlarge other foreign countries' quota at the expense of Cuba and its people. It would be an unjust enrichment for those countries which did not give to the United States the trade advantages and tariff concessions for which Cuba's quota was the reciprocal concession.

IV. FOREIGN TRADE, BASED ON THE INCOME OF SUGAR EXPORTS, IS THE FOUNDATION OF THE ECONOMIC AND SOCIAL STABILITY OF CUBA

15. While Cuba enjoyed a democratic way of life its internal economic and social stability was dependent on the sugar trade with the United States and, to a much lesser extent, with the world market. In addition to exports of about 3 million tons to the United States, Cuba secured a world market quota under the International Sugar Agreement of about 2,700,000 tons. The industry was mainly native; Cubans owned 121 mills manufacturing 62 percent of the sugar produced. American companies, many of them with quite a number of Cuban stockholders, owned only 36 mills manufacturing 37 percent of the sugar produced. The refining industry (22 plants) was, practically all, owned by Cubans.

16. Under the Communist domination the main source of revenues for Cuba comes also from its sugar trade. Castro substituted state trade for private trade, and China, U.S.S.R. and its satellites for the United States, as his suppliers, to a rather limited extent, of the foreign exchange which Cuba used to receive from its sugar exports to the United States. To a large extent the deals have been on a barter basis, as the only means to obtain consumers' goods from the Communist countries, as well as capital goods and technical advice to "industrialize" the country, with no success. This proves that not even under the "iron hand economy" of communism has it been possible to substitute other production for sugar as the basis of Cuba's economy.

V. THE ILLUSION OF "DIVERSIFICATION"

17. Although it is an unavoidable reality that Cuba depends on sugar exports and essentially on sugar exports to the United States, to maintain sound stable economic and social conditions, a frequent theme has been the necessity for diversifying Cuban agricultural production and to develop other local industries

to make Cuba independent of sugar. Proposals for diversification of Cuba's agricultural economy, to make her export earnings less dependent on a single crop, have been advanced from time to time. The Cuban sugar producers have attempted to develop various industrial products and those that have succeeded. like building board from cane bagasse, utilize byproducts of the sugar industry.

18. The general problem of finding an alternative substitute crop for sugarcane in tropical areas has exercised the attention of world sugar leaders over many years in the face of the threat of world oversupply. The fact is that world sugar agronomists have not found economic substitutes, with sizable market outlets, for established sugarcane industries. Although coffee, cocoa, bananas, pineapples, and rice are commodities which can be produced in many areas suitable for sugarcane growing, the economic outlook for additional production is unfavorable, to say the least, because of the existence of threat of world surpluses of many of these alternative crops.

19. In the case of Cuba, large-scale diversification, in the strict sense, would not be easy to achieve. Cuba is recognized as having the worlds best sugarcane environment. She is bound to continue producing sugar on a large scale even if her U.S. quota is cut, and even if some diversification of agricultural production is achieved, because she has ample arable land in addition to her sugarcane areas for other forms of cultivation.

20. Diversification of production to be helpful to Cuba should aim at expanding production for export, in order to increase earnings of foreign exchange for the reconstruction of the country. But unless market opportunities for additional exports can be assured, there can be little incentive and possibilities for such diversification. Major diversification for Cuba, if it were feasible, would require many years to achieve and a very substantial aid program.

21. From another standpoint the argument of diversification is deceptive. It is a mistake to state that Cuba was a single crop country. On many consumers' goods Cuba was self-sufficient. In 1957 the domestic income of nonsugar agricultural production was about $300 million and the sugar agricultural income about $385 million. In 1958 there were in Cuba about 38,000 industrial centers. Additional diversification of agricultural production may be still possible, but it cannot be considered a substitute for, but a complement to, sugar production, which eventually and gradually may make the country less dependent on sugar. In the pre-Castro period efforts of agricultural and industrial diversification were made to the extent feasible, but diversification is not as easy as theoretic economic planners think.

VI. CUBA'S SUGAR QUOTA WAS NOT MONOPOLIZED BY ANY PRIVILEGED CLASS OR MINORITY

22. Other attacks against the Cuban quota in the United States have arisen from another misconception. It is considered that sugar incomes were enjoyed or monopolized by an industrial oligarchy or by the privileged class of rich families. That was not the case in Cuba, but even if it had been the case, it could not be the same after its liberation from the present Communist domination. Cuba is not to be liberated to fall again in a dictatorship whether right or left, or to exclude the Cuban people from enjoying the benefits of its economy and resources under the rule of distributive justice.

23. And it is not a representative of entrenched interest who is speaking but the ex-Prime Minister of a revolutionary government whose ideals and aims, now betrayed, were to restore democracy in Cuba within the framework of economic well-being and social justice for the Cuban people. To fight for Cuba's liberation in order to achieve such ideals the Revolutionary Council of Cuba was organized and will spare no sacrifice toward that end.

24. The Cuban quota has always been considered in Cuba as a national asset, not belonging to or enjoyed by any class or group, but by the people of Cuba as a whole. The proceeds of sugar exports were widely distributed among the whole of Cuban population. The sugar laborers' salaries, including those of port workers, transportation and other activities directly connected with the sugar industry were established and paid in proportion to the sugar price. Through 500,000 laborers and their families directly dependent on the sugar production, and about the same number depending on it indirectly, and through 65,000 cane planters, the majority of them small planters, sugar incomes were widely spread through the entire social strata. Gross income from sugar was distributed as follows: agricultural workers, 27 percent; industrial workers, 23.4 percent; farmers, 26 percent. The balance of 23.6 percent went to the sugar

mill owners, and was used mostly for payment of transportation and handling of sugar, materials, maintenance and improvement of plant, expenses other than cost of cane and labor and national and local taxes, leaving a rather small profit to the sugar mills, many of which were operating on a marginal basis.

25. Labor salaries, fringe benefits, and labor conditions in the Cuban sugar industry were at a very high level. This was reflected in all the labor forces in the country. Cuba's social legislation was one of the most advanced. All laborers were entitled to a 1-month-pay vacation, workmen's compensation laws were very liberal, pension funds were established in all branches of industry. Especially the sugar industry pension fund was very liberal. It included the agricultural workers, which is one of the few cases, if not the only one, known to us where the agricultural laborers are included in a pension fund. There was the so-called maternity fund to pay the expenses of delivery to all working women or wives of workmen which included also the hospital expenses, and in the case of working women, a payment of a proportion of their salaries for a period of 6 weeks before and 6 weeks after delivery.

26. In the particular case of Cuba and its sugar industry the Alianza para el Progreso principles and objectives is to attain social or distributive justice were attempted and reached to a large extent.

VII. CUBA'S SUGAR QUOTA AND THE NATIONAL INTEREST OF THE UNITED STATES

27. To maintain Cuba's position as supplier of sugar for the U.S. market is not only vital to Cuba, it is also in the national interest of the United States. It is of extraordinary importance to the export trade of the United States. It will be a protection against social disorder and communism in Cuba and its expansion in the Western Hemisphere, and will assure the supply of sugar to the United States in case of emergency.

28. From the standpoint of trade, Cuba, in proportion to its area and population, probably has been the largest market and outlet for the products of the soil and industry of the United States. The value of exports of the United States to Cuba during the period 1955–58 as compared with other selected countries and their population was as follows:

Country	Exports [1]		Population [2]	Per capita	
	1957	1958	1957	1957	1958
	Millions	*Millions*	*Millions*		
Cuba	$621.5	$546.9	6.410	$96.9	$85.3
Brazil	489.1	534.9	61.262	7.9	8.7
Mexico	908.5	892.8	31.426	28.9	28.4
Peru	205.4	171.2	9.923	20.6	17.3
United Kingdom	1,119.3	851.8	51.657	21.6	16.5
France	601.6	437.4	44.091	13.6	9.9
Italy	671.8	493.3	48.481	13.9	10.1
Spain	204.9	215.9	29.431	6.9	7.3
Philippines	373.0	292.8	23.322	15.9	12.5
Japan	1,238.3	844.6	90.880	13.6	9.3

[1] Source: Statistical Abstract of the United States, 1961, cit.
[2] Source: United Nations Demographic Yearbook, 1960.

29. If Cuba's quota to the United States is not maintained at a high level, part of Cuba's sugar factories will have to be dismantled. Expansion of production, in case of emergency, will not be possible as it had been in the past. Cuba had, and in accordance with information still has, the industrial capacity to produce not less than 8 million tons and probably more. Its ability to expand or reduce production with extraordinary flexibility was based on its ability to maintain cane supplies and stocks. Uncut cane was not lost and could be ground if and when required in the following crop. If further expansion was required, it could be accomplished by new cane plantings in a period of 12 months. Besides Cuba's sugar warehousing capacity was about 4 million tons. In wartime she maintained huge stocks, and in peacetime large stocks were kept with normal carryovers for the U.S. market of about 600,000 tons at the end of each year.

30. The reduction of the plant capacity in Cuba, as a result of a slash in Cuba's quota, will deprive the United States of "its ever dependable sugar bowl," to use again Mr. Lawrence B. Myers' words, which in the present situation of the cold war and its inherent dangers, is more important than ever, if not essential, to the security of the United States.

31. The present situation in Cuba may obscure or distort the perspective, but it should be kept in mind that Cuba will return to the democratic field and become once more the reliable and inexhaustible source of supply of sugar for the American consumer with all the potentialities to meet any emergency affecting the United States. To drastically reduce Cuba's quota because temporarily under Communist subjugation would be the same as to having deprived the Philippines of their quota in view that for some years it was occupied by the invading army of an enemy foreign country. Or perhaps worse, because the Philippines are thousands of miles away from the United States while Cuba is only 90 miles from its shores.

VIII. PROJECTED AMENDMENTS TO THE SUGAR ACT

32. The rumor has been currently spread, perhaps purposely, originating from nonofficial sources, that Cuba's quota will be reduced to the ruinous amount of 2 million tons; and that the direct consumption sugar quota of 375,000 tons and the sugar liquid quota are to be completely eliminated. Even the huge cut of Cuba's quota to the unbelievable scanty amount of 1 million tons has been mentioned. The purpose of such nefarious action being to facilitate the integration of a joint front action by certain of the areas supplying the U.S. market, in order to increase the amount to be unjustly distributed to the benefit of other foreign countries. Such a scheme means the practical annihilation of Cuba as a supplier of the U.S. market, which would completely destroy the economy of a democratic Cuba, and will not permit the country to recover from the chaos it will face when it emerges from the Communist regime at present ruling Cuba.

33. It seems to us unthinkable that such ideas can ever become reality. It will mean economic enslavement after political freedom. If we refer to such rumors and schemes it is to illustrate to what extremes the voracity for Cuba's quota has gone, in view of the defenseless position which Cuba is facing now as a result of the disgraceful actions of the Communist regime of Fidel Castro. A great deal of will power is required to reject the thought that the conduct, within the OAS, of some of its members may be decisively guided by the prospects of the benefits that derive for them from Cuba's sugar quota, while Castro is maintained as the master of the country and the servant of communism.

34. The only official word with respect to the amendment and extension of the Sugar Act is the administration's sugar bill introduced by Chairman Harold B. Cooley of the House Committee on Agriculture as H.R. 11730, although the chairman has declared he does not agree with all its proposals for revisions in the sugar program.

35. The bill, as explained in a "Summary of Proposed Sugar Legislation" released by the U.S. Department of Agriculture on May 14, 1962, would extend the act for 5 years (sec. 1), increase the quota for domestic sugar-producing areas at current levels of sugar consumption (9.7 million tons) about 625,000 tons and would provide that those areas supply 63 percent of increase in consumption as compared to 55 percent under current legislation (sec. 3).

36. Under section 3 foreign importations would be divided into two quotas, one for the Republic of the Philippines of 952,000 tons, tel quel (usually figured at 980,000 short tons) and the other consisting of the balance requirements prorated among other foreign countries that have quotas (prorations) under the current act. The proposed proration is based on their quota under current legislation at the requirement level of 9.7 million tons except *Cuba's share has been reduced to accommodate the quota increases for domestic areas* and the five smallest countries prorations are continued in the same fixed amount as at present. [The emphasis is ours.]

37. Section 6 would limit to 250,000 tons the direct consumption sugar which may be entered in the proration for Cuba and section 7 would eliminate Cuba's liquid sugar quota. On the direct consumption quota feature of the act, Representative W. R. Poage, vice chairman of the Committee on Agriculture has commented as follows: "In order to make the administration's bill aceptable to all segments of the industry, including the Atlantic seaboard refiners, it will be necessary to have the 375,000 tons of refined sugar, which previously came in

from Cuba, to be entered in this country as raw sugar. I intend to offer an amendment to achieve this purpose at the proper time."

38. Section 10 of the bill provides that a fee would be paid the United States as a condition for importation of any sugar acquired from Cuba or any other foreign country. The amount of the fee on such sugar to be established by the Secretary, and adjusted from time to time to approximate the amount by which the domestic sugar price at a level which achieves the objectives of the Sugar Act would exceed the foreign market price for such sugar. This fee is to be paid the United States as a condition for importation of sugar within the quota for foreign countries other than the Republic of Philippines, by all countries having prorations of such quota, at 20, 40, 60, 80, and 100 percent of the full fee, referred to in the preceding sentence, in 1962, 1963, 1964, 1965, and after 1965, respectively.

39. With respect to Cuba the application of the provisions of the bill on the basis of an estimate of consumption of 9,700,000 tons will be the following:

(*a*) The present share of 3,200,000 tons to which Cuba is entitled under the present act will be reduced to 2,584,000 tons.

(*b*) The minimum percentage of 28.6 percent, which we consider to be guaranteed by the U.S. Government, will be reduced to 26.65 percent, thus reducing the minimum quota guaranteed from 2,774,000 tons to 2,584,000 tons.

(*c*) The income from the sugar exported by Cuba to the United States will be reduced to the extent of the amount to be recaptured by means of the premium with the following results:

(i) Taking as a basis Cuba's quota of 3,200,000 tons under the present act, not considering any eventual increase, and assuming that the average of the import fee in the period 1962–66 be $50 per ton, which is the amount mentioned by Secretary of Agriculture Orville Freeman at the hearings of the Agriculture Committee, the income from Cuba's sugar quota would be reduced: in 1963, $64 million; in 1964, $96 million; in 1965, $178 million; and in 1966, $160 million; a total of $498 million, plus the loss of income resulting from the reduction or eventual elimination of the direct consumption quota and the suppression of the liquid sugar quota.

(ii) Taking 2,774,000 tons which would be the quota resulting from the 28.6 percent minimum participation guaranteed to Cuba, not considering any eventual increase, and assuming the same import fee of $50 per ton, Cuba's income would be reduced as follows: $55,480,000 in 1963; $83,220,000 in 1964; $110,960,000 in 1965; and $138,500,000 in 1966; a total of $388,160,000 in a period of 4 years.

Should the bill be enacted into law, Cuba will be deprived of millions of dollars, which will cause the disruption of its foreign trade with the United States and the shattering of its economy. We have not considered the year 1962 for obvious reasons.

IX. WHY THE POSITION OF CUBA AS A SUGAR SUPPLIER OF THE UNITED STATES SHOULD NOT BE IMPAIRED

40. The transformation of Cuba into one more satellite in the Communist world creates serious problems for the United States and a threat to the Americas. One important phase of the situation is the supply of sugar to the U.S. market. There are other angles more far reaching and dangerous, but in considering the amendment of the Sugar Act we are only concerned with the sugar phase. Whether Castro, representing communism in Cuba, is purely a peripheral problem for the United States, as some writers seem to believe, or if it constitutes a clear and present danger which requires its elimination, it is for the U.S. Government, not for us to decide. We assume that in the interest of the Americas, communism will be overthrown in Cuba, and that Cuba will become, we believe in the near future, a free and democratic country with friendly relations and cooperating with the United States and the other Republics of the Western Hemisphere. The action of Congress with respect to Cuba's quota may be decisive on that point.

41. In view of the Cuban experience it may be alleged that the national interest of the United States requires an increase in the share of the domestic producers in the sugar market. We believe that it is not the case with respect to the foreign areas. The only judges of the national interest of the United States are Congress and the President in their respective constitutional fields, but with all respect and deference to their judgment, we submit that Cuba's position as a

supplier of sugar to the U.S. market should not be impaired for the following reasons:

(*a*) Would be contrary to sound economic principles.
(*b*) Would be in conflict with international obligations of the United States.
(*c*) Would be against the principles of the Alliance for Progress.
(*d*) Would be contrary to the national interest of the United States.
(*e*) Would be unfair to the Cuban people.
(*f*) Would be an insurmountable obstacle to the reconstruction of Cuba after its liberation.

(a) To reduce Cuba's quota would be contrary to sound economic principles

41. The 20 American Republics south of Rio Grande although having a common heritage of culture, are dissimilar in their economic structures resulting from their geographical position and ecological environment. In many of them their economy and foreign trade are basically dependent on one main crop or industry: coffee, oil, tin, copper, cattle, and sugar.

42. In considering the question of diversification of production and industrialization, the 20 Republics should be considered in a global pattern of complementary economies and not of competition in products which are in surplus. To start or expand a production in one of the Latin American Republics, which already is produced in another country which is dependent on such production, is contrary to sound economic principles, especially in the case of commodities which are chronically in oversupply, like sugar and coffee. The expansion of production in an area will be at the expense of destroying wealth in another. This makes no sense.

43. Such will be the case if the Cuban sugar quota is reduced to be given to other American Republics. Cuba would be forced, on her part, to develop other agricultural production which will compete with the production of other Latin American countries, like coffee. As we have pointed out above, it is very difficult, in a strict sense, to diversify production for export markets. The result would be additional disorder in the markets of different commodities.

(b) To reduce Cuba's sugar quota would be in conflict with international obligations of the United States

44. With respect to the quantitative proportion of sugar exports to the United States it is abundantly clear that the sugar quota was the foundation of the trade and tariff concession given by Cuba to the United States. In the Cortina-Messersmith letters it is recognized that the quota is of vital importance in the economic relations between Cuba and the United States and, therefore, the American Government undertook to make at all times every appropriate and possible effort to safeguard Cuba's sugar position in the United States market. Let us examine whether such undertaking is not in operation because the treaty and commercial agreements between Cuba and the United States, when the General Agreement on Tariffs and Trade was signed in Geneva in 1947, were declared inoperative for such time as the United States of America and the Republic of Cuba are both contracting parties to the agreement, by the exclusive agreement between the United States of America and the Republic of Cuba, supplementary to the General Agreement on Tariffs and Trade of October 30, 1947. We believe that such is not the case.

45. Cuba's position as supplier of the U.S. market was recognized of such vital importance that the undertaking to protect that position was for an indefinite period of time ("at all times"). The very existence of the trade relations of Cuba and the United States depends on the sugar quota and the undertaking of maintaining Cuba's position as a supplier of the U.S. market, by necessary implication, is still an existing obligation within the network of trade relations of Cuba and the United States resulting from GATT. It could not be otherwise. Incomes from sugar exports (including molasses) to the United States were between 75 to 80 percent of the total value of Cuba's exports to the United States. It is therefore inconceivable that the tariff and trade advantages given by Cuba to the United States, as a result of their negotiations under GATT, could continue to exist if Cuba's quota to the United States is impaired.

46. Our conclusion is confirmed by the fact that in the Sugar Act of 1948, after the GATT negotiations, the guarantee of Cuba's position as supplier of sugar to the U.S. market was incorporated in the form of a minimum quota. Even if the obligation is considered as moral and not legal, it will not be less strong, because in the international sphere, contrary to what occurs in domestic jurisdictions, moral obligations have the strength of the rule of law. Certainly, there is no

stronger moral commitment than the undertaking to maintain Cuba's sugar quota in the continental U.S. sugar market, and no country has surpassed the United States in advocating morality as the guidance of international conduct.

47. With respect to the recapture, by means of an import fee, of the difference between the U.S. market price and the world market price, if lower, would be tantamount to an increase in tariffs which under GATT cannot be done unilaterally by the U.S. Government. The duties in sugar have been bound under GATT, and only through negotiations and the proper compensations could they be raised. To call the new charge a fee, does not change the nature of the thing. The actual effect is to reduce very drastically the income from the sales of sugar to the United States just the same as if the tariff be raised. The language of article II of GATT is crystal clear. The products of territories of other contracting parties "shall also be exempt from all other duties or charges of any kind imposed on or in connection with importations in excess of those imposed *on the date of this agreement* or those directly and mandatorily required to be imposed thereafter by legislation in force in the importing territory *on that date*." [Emphasis is ours.]

48. It is true that in the administration bill the minimum guaranteed percentage participation of Cuba of 28.6 in the consumption of the United States has not been substantially reduced, but it affects detrimentally Cuba's position as a supplier of the U.S. market, and is not in accordance with the obligation to maintain such position, which Cuba has always understood to be percentagewise and not quantitative. Cuba's foreign trade and economy will be disrupted. (See par. 39.)

(c) To reduce Cuba's sugar quota will be against the principles of the Alliance for Progress

49. Under the principles of the Alliance, the economy of each Latin American Republic should be developed in order that its people may enjoy under principles of social or distributive justice the fruits resulting from their natural productions and industries, but not at the expense of any other of the Republics. Cuba's economy and the Cuban people will suffer from a reduction of Cuba's share in the consumption of the U.S. market, it will reduce its industrial capacity and result in the dismantling of many of its sugar mills, just to expand the production of sugar in other Latin American countries at the expense of the Cuban people. These are not the ideals and principles of the Alliance.

50. The most striking example of destruction of wealth in Cuba would be the case of the refining industry. Under the administration bill the direct consumption quota will be reduced to 250,000 tons and this quota will be completely eliminated if Representative Page's amendment is approved. This proposed reduction of the quota will substantially affect the refining industry and impair its operation to such a point that production will have to be concentrated closing the majority of the refineries. The internal consumption of Cuba is not sufficient to maintain its refineries in operation. They are dependent on the quota to the United States. Exports to markets other than the United States have been circumstantial.

51. A reduction of Cuba's direct consumption quota cannot even be justified with the argument of industrializing other Latin American countries. Its only objective would be the benefit of the refining industry of the United States. Representative Page, candidly and honestly, has stated that the purpose of his prospective amendment is to secure the support of all the sectors of the American industry to the amendments of a sugar act.

52. Neither 125,000 tons nor 375,000 tons of additional production will be a solution to producing problems for the gigantic American refining industry. The amount for it is a "drop in the bucket," while for the refining sugar industry of Cuba it is a matter of life or death. During more than 30 years the refining industry in Cuba has depended on its exports to the United States. As in the case of the raw quota, the refined quota has been practically filled by the Cuban refiners in times of war or peace. To imperil the refining industry in Cuba to the point of destruction, for the sake of the American refining industry, will make Latin American Republics lose their faith in the Alliance for Progress.

(d) To reduce Cuba's quota would be contrary to the national interest of the United States

53. our statements above (sec. VII) demonstrate that the national interest of the United States requires that Cuba's position as a supplier of the American market be not impaired.

(e) To reduce Cuba's quota would be unfair to the Cuban people

54. The reduction of Cuba's quota will be a major psychological blow to the Cuban people. They will not understand why Cuba is deprived of the quota because it had been conquered by Communists. The only explanation that they could give to such action is that the United States is abandoning the gallant fighters against communism, and do not expect Cuba to return to the family of democratic nations. To the Cuban people the reduction of Cuba's quota could only mean that the United States are definitely abandoning Cuba to her tragic fate. It will dispirit the Cuban people and strengthen Castro's position.

(f) To reduce Cuba's quota will be an unsurmountable obstacle to the reconstruction of Cuba after its liberation

55. In sections IV and V above we have explained Cuba's economic dependence on foreign trade based on its sugar exports and that diversification of production, agricultural or industrial, is not a substitute for the sugar industry but a complement to it. The unavoidable consequence is that Cuba's reconstruction after its liberation requires the operation of an efficient sugar industry able to maintain and increase, if feasible, the high standards of salaries and social benefits enjoyed by the laborers and to continue to distribute the incomes from sugar exports through all strata of the Cuban people.

CONCLUSIONS

First. The reduction of Cuba's quota will dishearten the Cuban people in their fight for liberation and consequently strengthen Castro's position in Cuba.

Second. The reconstruction of Cuba and the maintenance of a safe level of economic and social conditions after its liberation depends on its sugar quota to the United States, both on the quantity of the quota and the income therefrom.

Third. The maintenance of Cuba's quota is the only way for Cuba to enjoy the benefits promised by the "Alliance for Progress."

Fourth. To maintain Cuba's position as a supplier of sugar to the United States is in the national interest of the United States and part of its international obligations.

Fifth. To deny Cuba the benefits of the U.S. sugar market price, will be to deprive her of the concessions given by the United States to Cuba in reciprocity for the trade and tariff concessions given by Cuba to the United States, and will be in violation of GATT.

Sixth. If, in the judgment of the Congress and the President of the United States, the national interest of the United States requires a reduction of Cuba's quota, we submit that provisions should be incorporated in the amended act in order to restore any reduction of Cuba's quota by allocating to Cuba that portion of the growth of the U.S. consumption reserved for foreign countries, and any deficit of quotas, for the time and to the extent necessary for Cuba to regain its present position as supplier of sugar to the United States.

ASOCIACIÓN DE COLONOS DE CUBA,
Miami, Fla., May 24, 1962.

HON. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.

DEAR SIR:

1. The Asociación de Colonos de Cuba, Sugarcane Growers Association of Cuba, founded by decree law No. 16, on January 2, 1934, is the organization representing all Cuban planters producing sugarcane for the manufacture of sugar.

2. During 27 years, our association, in which all members have always had equal rights and equal responsibilities, maintained a democratic system of government. Through annual elections the cane growers of each mill elected their representatives to the corresponding provincial assembly. In turn, each one of the six provincial assemblies sent delegates to the national assembly which elected the members of the executive committee. The excutive committee, now in exile, over which I have the honor to preside, is the product of that democratic process.

3. In 1960 the Communist government of Castro tried to infiltrate fellow travelers and pro-Communists into our associations, as it had done in other organizations that had already been destroyed. This maneuver having failed, as the total membership supported the stand of this executive committee, the government decided to take over by force our organization in December 1960. Shortly afterward, the members of this committee were able to come to the United States and resume our struggle for the reestablishment of democracy and private enterprise in Cuba.

4. When our association was founded in 1934, there were approximately 25,000 cane growers in Cuba. In 1945, this figure had increased to 40,000, and when the so-called agrarian reform law was enacted in 1959, our records showed a total membership of 64,581 colonos. These figures are evident proof of the process of division of rural property through which a continuous increase took place in the ranks of the farmers who produced sugarcane as their cash crop, and who at the same time, cultivated other vegetable products or used their extra land for cattle raising. In 1959 the cane growers of Cuba were, by themselves, as numerous as the total number of farmers planting sugarbeets or sugarcane in all domestic areas of the United States, insular as well as continental.

5. Through more than a quarter of a century of uninterrupted activity in favor of Cuban farmers, the association has witnessed the materialization of numerous measures that represented considerable progress toward the improvement of economic and social conditions throughout the country. The law of sugar coordination (Ley de Coordinación Azucarera) of 1937, was a most important step in that direction. This law established the basis for the distribution of the products obtained in the sugar industry among its three segments; namely, the sugar mills, the cane planters, and the agricultural and industrial workers.

6. The law of sugar coordination also establishes the "right of permanent occupancy," through which the cane growers could not be evicted from the land they occupied as tenants at the expiration of their contracts and as long as they maintained in such land enough cane to fill the production quota allotted to them through the system of control applied to the Cuban sugar industry as a result of the strict regulation for the production and consumption of sugar that exists throughout the world. The "right of permanent occupancy," which was later extended to other farmers, was a right transmissible through inheritance, sale, or transfer. Therefore, although the land may have been the property of the sugar mills or of third persons, it was the tenants who, since 1937, were in fact the ones who effectively and permanently controlled it. Nevertheless, most of the numerous members of the Cuban agricultural class wished to become owners of the land they had turned into productive units, but they wanted to acquire it by paying its fair price to the rightful owners, and all they needed was the adequate instruments of credit.

7. Approximately 80 percent of all the cane produced in Cuba was produced by colonos. Sugar mill owners or operators cultivated the remaining 20 percent. The colonos have thus, been responsible for the larger share in the effort to supply the American market in times of emergency, and also the colonos were the ones who carried the larger part of the burden in the reductions of the quotas, which compelled them to leave in their fields considerable quantities of uncut cane.

8. The problems confronted by the colonos were duly evaluated by the honorable members of the Committee on Agriculture of the House of Representatives who visited Cuba and our association in the year 1954. The report submitted under date of February 5 of that year, in commenting on the statements put forth by the colonos assembled in an extraordinary session, expresses the following:

"* * * the committee then attended a mass meeting of several hundred sugar growers and farmers. The statements presented by these Cuban farmers were similar to the many statements the committee has heard from American farmers during the course of its recent hearings throughout the United States. Like many American farmers, Cuban sugar farmers are faced this year with a sharp reduction in their quotas. Cuban sugar quotas have been reduced in about 1,500,000 acres this year, or about 17 percent of the total sugar acreage planted. Like American farmers, Cuban producers of sugarcane are also caught between lower prices for their crops and rising or stationary costs of labor and other production expenses."

9. The problems to which the report of the committee referred were the ones resulting from the overexpansion of sugar production at the outbreak of the

Korean war. The Cuban sugar industry and particularly Cuban sugarcane growers have always been seriously affected by the frequent instability of the sugar markets. These difficulties, however, would bear no comparison to the problem the colonos and Cubans in general would have to face, if the intended reduction in the Cuban sugar quota materializes.

10. Exports of sugar to the market of the United States have traditionally represented the strategic variable of Cuba's economy. It may be stated that since the birth of this great Nation, imports of Cuban sugar began to satisfy a large portion of the growing demand of the American consumer market. All through the 19th century Cuba's sugar exports to the United States constituted the basis of the trade that took place bewteen the two countries, and in many years it represented more than 50 percent of the total sugar consumption of the U.S. market. During the first half of the 20th century, Cuba's role as natural supplier of sugar to the United States was dramatically evidenced during the trying moments brought about by two World Wars.

11. The ability and capacity of Cuba to guarantee the required supply of sugar, in time and effectively, has always been acknowledged by the leading figures of the sugar circles and by American sugar authorities. Climatic and soil conditions, geographic location and the available facilities for ocean transport, have placed Cuba in a unique position with respect to the American sugar consuming market, and will enable her to guarantee normal supply again to this market, once a free and democratic system is reestablished.

12. The Cuban colonos are viewing with increasing anxiety the possible reduction of Cuba's sugar quota in the U.S. market and all the more so, when this reduction might be accompanied by a progressive import fee which, in a period of 5 years, will bring the price of sugar sold by Cuba in the U.S. market to world market levels. If the reduction of the quota and the import fee are applied to Cuba, sugarcane production in Cuba would become unprofitable, unless the salaries of the workers are drastically reduced, which would in turn lower their standard of living to the level of the less developed tropical countries.

13. It is difficult for the Cuban colonos to understand how the Congress of the United States would approve a plan that so gravely impairs the future reconstruction of Cuba, particularly at the moment when the United States is so generously contributing to the social progress and economic development of the other countries of America.

14. Cuban colonos have always considered exports of sugar to the United States a fundamental economic question, not only because more than 50 percent of our sugarcane has been destined for the production of sugar for the American market, but also because the price enjoyed by that part of our production increased the overall average price to levels that permitted payment of adequate salaries to our workers, although sometimes, as was asserted by the committee that visited Cuba, even this average price was insufficient to cover our production costs which required at least 4 cents per pound of sugar in Cuban port warehouse, to break even.

15. The reduction of the Cuban sugar quota will not only affect the sectors comprised by the sugar industry. Its ill effects will be felt by the whole economy of Cuba, because if the economic backbone of the country is injured, the whole structure is weakened. The reconstruction of Cuba, which is necessary to demonstrate to the world the efficacy of the system of free enterprise versus the destruction brought about by collectivization, will be a difficult task, and the stability of the democratic regime that replaces Castro will be seriously jeopardized.

16. Castro, upon losing the U.S. market and the foreign exchange thereof, has been able to utilize sugar as a medium of exchange with the countries of the Soviet bloc. The democratic government that supplants the Castro regime will not be able, for obvious reasons, to adopt such a policy to compensate for the loss of quota it may suffer in the American market. The other alternatives would be to reduce drastically the volume of its sugar crop or to dump its excess production in the world market, which would produce a vertical drop in the world price of sugar. Either one of these alternatives would result in serious consequences for Cuba.

17. It is necessary, therefore, that Cuba's sugar quota in the United States and the level of prices, be maintained. In the case of Cuba, that price has not represented "aid." In conjunction with the quota, that price has represented the counterpart to the multiple tariff and commercial advantages granted by Cuba to the products of the soil and industry of the United States, which made possible that imports from this country represented approximately 80 percent of the total imports of Cuba.

18. During the decade preceding Castro's takeover, from 1949 to 1958, the trade between Cuba and the United States showed a balance favorable to the United States in the amount of $520 million. In the year 1957, alone, this favorable balance to the United States reached the significant sum of $136 million. The sugar exports of Cuba to the market of the United States made it possible for Cuba to have such a high purchasing power, which, ultimately, reverted to benefiting the American manufacturers and farmers.

19. The agricultural machinery and equipment, and even implements used in manual agricultural labor, were the product of the United States. Contrary to what has been affirmed by the Communist regime, Cuba's agriculture, although still offering large possibilities of improvement, had been technified to a point not reached by most tropical areas. The level of mechanization that Cuban farmers had achieved, particularly since the end of the Second World War, may be judged from the fact that from 1947 to 1958, Cuba imported from the United States alone, 4,180 tract-tractors and 10,591 wheel tractors.

20. The Cuban colonos, who have come to the United States not in pursuit of personal success, but to win support in order to materialize our efforts to liberate Cuba from a common enemy that threatens the whole hemisphere, have applauded the measures adopted by the Honorable Congress of the United States in 1960 and 1961, and which have prevented the sale in the United States of sugar produced by the Communist regime of Castro, thus eliminating the flow of dollars to Cuba which would have only been used in further enslaving the Cuban people.

Today, although we realize, as sugarcane planters, that it is necessary to solve the problem posed by the domestic areas that have increased their production to supplement the absence of Cuban sugar, we are deeply concerned by the threat that hovers over our quota, and trust that the experience and foresight of the members of the Committee on Agriculture will enable them to find a solution compatible with the legitimate interests of Cuba and with the defense of democracy and free enterprise in the hemisphere.

Respectfully yours,

SILESTRE PIÑA, *Presidente.*

The CHAIRMAN. And I ask permission to file a statement on behalf of El Salvador at this point in the record.

(The statement of Francisco R. Lima, Ambassador of El Salvador, follows:)

STATEMENT OF HON. FRANCISCO R. LIMA, AMBASSADOR OF EL SALVADOR

Chairman Cooley and members of the committee, I have the honor to address the committtee, on behalf of the Government of El Salvador, for the purpose of requesting that consideration be given to the assignment of a basic yearly quota of 20,000 short tons of sugar, raw value, to El Salvador.

The above request is based on the Sugar Act objectives: "* * * to protect the welfare of consumers of sugar and those engaged in the domestic sugar-producing industry: to promote the export trade of the United States * * *." The Sugar Act, as amended, also states "that special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities." El Salvador qualifies under both criteria.

The sugar quota of 20,000 short tons, raw value, that El Salvador requests is an insignificant amount when viewed in relation to total U.S. sugar consumption of 9.7 million short tons. Nevertheless, it is of paramount importance to the economy of El Salvador, for the following reasons:

1. Sugar is El Salvador's third most important export crop.

2. The United States is the natural outlet market for El Salvador's sugar exports.

3. It would help stabilize El Salvador's foreign income and would help it to earn more dollars to pay for its imports—machinery especially—which are important to its development program.

I take the liberty to offer, Mr. Chairman, a brief analysis of the sugar situation in El Salvador. As you are probably aware, my country, one of the signatories of the Punta del Este Charter, has faithfully fulfilled the mandates, postulates, and recommendations emanated from this historic document. In part 5, title I, which describes the objectives of the Alliance for Progress, the American Republics agreed "to raise greatly the level of agricultural produc-

tivity and output and to improve related storage, transportation, and marketing sources."

My Government has taken the above measures as regards to sugar. Output has been increased considerably in quality-quantitative terms, introducing better qualities of sugarcane, highly improved farming methods, and modern industrial techniques. These together with the favorable geographic position of El Salvador with respect to the United States, assure the reliability of my country as a good sugar supplier.

It would seem, from what I have described, that the situation is one of bonanza. However, this is not the fact. The neighboring Central American countries, toward which a good part of our sugar trade was oriented, have, likewise, increased their sugar production, thus closing sugar outlets for El Salvador.

The closing of our traditional Central American markets, and the uncertainty of being unable to export sugar to the United States are elements that cause a serious socioeconomic imbalance, because the entrepreneurs could restrict buying sugarcane from the small producers.

In this connection, stressing the Charter of Punta del Este, and in order to obtain a better redistribution of the national income, my Government has promulgated a series of economic and social legislation. Some of these laws are:

(*a*) Law to provide remunerated rest on Sunday for rural laborers.
(*b*) Amendments to the leaseholding law.
(*c*) Law for the protection of the salary.
(*d*) Law providing minimum wages for commercial employees.
(*e*) Law for the protection of rural workers.
(*f*) Amendments to the income tax law.
(*g*) National Council for Planification and Economic Coordination.

The assignment of a sugar quota to El Salvador would have no detectable effect on other supplying countries, but it would make an appreciable contribution toward helping El Salvador diversify its production and stabilize its foreign earnings which are subject to cyclical movements due to the fluctuations of the prices of the primary products. These considerations will grow in importance as El Salvador's economic development program gathers momentum.

In conclusion, it is sincerely hoped that the chairman and the members of the Committee on Agriculture will give a favorable consideration to the present request.

TABLE I.—*Regional balance of payments, 1957–61*

[Millions of colones. 1 colón equals U.S.$0.40]

Country	Imports					Exports				
	1957	1958	1959	1960	1961, January–July	1957	1958	1959	1960	1961, January–July
America	186.0	173.6	160.3	183.4	94.5	177.2	138.7	134.0	134.8	82.7
Canada	4.2	4.5	5.5	5.2	2.8	2.0	2.3	5.5	1.0	.5
Colombia	1.2	1.1	.7	.4	.1	-------	.2	-------	-------	-------
United States	148.3	130.6	110.4	131.2	65.9	158.2	115.2	100.7	102.4	61.6
Guatemala	6.2	7.6	10.7	13.0	9.4	5.9	7.4	10.4	15.2	10.2
Honduras	12.4	15.7	16.2	15.7	9.7	5.9	8.6	10.1	9.9	6.7
Mexico	5.3	5.0	4.3	5.1	2.5	.2	-------	.1	.2	-------
Nicaragua	2.1	1.9	3.0	3.5	1.1	2.9	2.9	4.2	3.6	1.7
Panama	2.1	2.9	2.4	2.7	.5	.1	.1	.2	.4	.2
Venezuela	1.4	1.8	3.3	3.3	1.4	-------	.1	1.0	.1	-------
Other	2.6	2.5	3.8	3.3	1.1	1.8	7.7	1.8	2.0	1.8
Asia	16.9	13.2	12.2	22.6	12.2	17.3	31.7	42.2	34.2	-------
Japan	16.7	13.1	12.1	22.5	12.2	17.3	31.7	42.0	33.6	-------
Other	.2	.1	.1	.1	-------	-------	-------	.2	.6	-------
Europe	84.4	82.4	75.5	98.7	55.9	151.6	119.6	107.1	122.0	86.8
Germany	22.9	25.4	21.9	31.3	16.6	104.7	94.1	79.1	97.2	72.7
Belgium	13.1	8.9	7.1	11.5	6.9	7.0	5.2	3.5	4.4	2.2
Denmark	1.0	1.6	1.7	2.3	1.3	.3	.7	1.7	2.2	1.1
France	4.6	3.1	4.4	4.9	2.1	10.9	1.2	3.3	.5	.1
Great Britain	13.4	11.9	10.0	12.3	6.9	4.6	3.0	4.5	1.6	.2
Holland	17.7	19.0	17.9	20.8	14.5	12.8	6.9	7.9	7.3	5.9
Italy	4.5	4.1	5.2	6.7	3.1	5.6	5.4	4.8	2.2	1.5
Sweden	2.3	3.1	2.3	2.2	1.0	3.9	2.1	1.8	3.9	2.4
Switzerland	2.5	3.2	2.5	-------	2.2	.7	.7	.3	-------	.6
Other	2.4	2.1	2.5	6.7	1.3	1.0	.3	.2	2.7	.1
Others	.4	.9	.9	1.3	1.0	.2	.1	.1	1.0	.1
Total (colones)	287.8	270.1	248.8	306.0	163.6	346.2	290.1	283.4	292.0	208.9
Total (dollars)	115.0	108.0	99.5	122.4	65.4	138.5	116.0	113.4	116.8	82.8
Trade balance (dollars)	-------	-------	-------	-------	-------	23.5	8.0	13.9	−5.6	17.4

Source: Central Bank.

The CHAIRMAN. The last witness, I think, is Mr. Ernest Schein on behalf of Colombia.

STATEMENT OF ERNEST SCHEIN, ON BEHALF OF DISTRIBUIDORA DE ASUCARES, S.A., ASUCAREROS INDEPENDIENTES, LTDA., CÍA ASUCARERA DEL VALLE, SOUTH AMERICA

Mr. SCHEIN. Mr. Chairman and members of the committee, for the record let me state that I am Ernest Schein, attorney at law, with offices in Washington, D.C., and Chicago.

I appear before you in the interests of Distribuidora de Azucares S.A., Azucareros Independientes Ltda., Compania Azucarera del Valle S.A., of Colombia, the three companies which integrate the producers' associations and represent 99.6 percent of the Colombian sugar industry and which are therefore intensely interested in any revisions of the sugar laws of the United States emerging from these hearings.

The people of Colombia, the organizations which I represent, and I personally are very grateful for an opportunity to be heard.

The committee being by far the best informed group on the subject of sugar, it would be presumptuous of us to undertake any presentation which would extend beyond a brief description of the Republic of

Colombia and its present posture and requirements with respect to imports of sugar by the United States.

First. Colombia is a close neighbor of the United States located in the northwest corner of South America with an area of some 440,000 square miles and a population estimated in 1960 to be about 14 million people. It is a beautiful land of high mountains and rich valleys but many centuries of Spanish control and the vicissitudes of Latin American revolutionary movements have placed it, along with other like countries, only on the threshold of the economy of the present. We think of Colombia, of course, in connection with coffee or more recently oil and other minerals and mining. Sugar, however, is enormously important to its well-being and creates the occasion for our presence.

Second. The sugar industry of Colombia including both its agricultural and manufacturing aspects originates and exists mainly in the Cauca Valley of which the city of Cali is the center. Here some 760,000 acres are devoted to the cultivation of sugarcane. Of these about 160,000 acres supply the sugar mills. From the remainder there is procured "panela" or noncentrifugal sugar obtainable through primitive methods. The latter type of sugar sometimes referred to as "loaf sugar" cannot be stocked for long, must be consumed promptly, and is an essential part of the local diet.

After domestic needs are serviced there will be a regularly exportable sugar stock of about 100,000 tons annually. In 1960 Colombia joined the agreements of the International Sugar Council receiving a moderate world market quota of 5,000 tons which since 1953 it had in fact already possessed but which was formally accepted as a means of entering into the deliberations of the International Sugar Council in the expectation of higher allotments.

Colombia has also participated more recently in the U.S. preferential sugar market. Since the termination of Cuban imports it shipped in 1961 to the United States a quota of 46,000 tons. In the first half of 1962 it added to this amount an aggregate of 25,000 tons. Further, it has engaged in barter for U.S. wheat in the amount of 5,000 tons. The confirmation of a fixed quota by law and the prospect of additional participation in U.S. sugar requirements will have obvious beneficial effects on the total Colombian economy and will represent a positive step in export diversification, a high level of sugar production, and a decrease of unit cost.

Colombia has exceptionally advantageous port facilities which guarantee the regular delivery of exported sugar. Buenaventura is located within a short distance of the production center and its capacity at the docks for sugar is 750 tons per day. The ports of Santa Marta, Barranquilla, and Cartagena are also usable through adequate connections with railroads and highways in case of necessity. It should be noted with satisfaction that the average time for arrival in North American ports is only 7 days.

Approximately 70,000 people are employed in the Colombian sugar industry. Since the average worker's family is composed of not less than 6, approximately 400,000 persons depend upon sugar for their livelihood. More people are directly and indirectly involved in this than in any other agricultural industry and, as a matter of fact, than in the petroleum, cement, and steel businesses combined. Sugar gives

work to approximately 36 percent of all the working population of the Cauca Valley.

You may be further interested, as I have been, in a few more items inviting your encouragement and support:

Sugar producing and milling in Colombia is not seasonal; it continues throughout the year, so that wages are not limited to 3 or 4 or 5 months as in many sugar producing areas in the world.

In the period from 1955 to 1960 the wages of workers increased substantially while the selling price of sugar remained stable.

The benefits of increases in productivity and lower costs without price fluctuations are passed on to the workers in the form of higher wages and better working conditions.

Wages represent 50 percent of the selling value of sugar at the mill and 67.9 percent of the cost of production.

Many holdings of sugar planters are small and there is no tendency to concentrate the advantages derived from a considerable export volume in the hands of a few.

There are 17 mills each grinding less than 1,000 tons of sugar each day and only 4 mills with a greater daily output. The latter account for 36 percent of the milled production but the small mills account for 64 percent. Moreover, 50 percent of Colombian sugar derives from small farms of 350 acres or less and 50 percent from larger units which are owned by the mills. The tendency is for new production to originate in smaller holdings.

Money flowing into Colombia is used to purchase capital goods and other merchandise from the United States. Agricultural agreements between Colombia and the United States under Public Law 480 will result in the purchase of more than $75 million worth of wheat, flour, cotton, milk, vegetable oil, tobacco——

The CHAIRMAN. And tobacco?

Mr. SCHEIN. Yes, and other items produced in the United States. The policy of Colombia is to continue and augment its agreements with our country for the purchase of agricultural surpluses which will result in the growth of profitable commercial relations between the two countries.

Third. Colombia for a time has enjoyed the benefits of exporting sugar to the United States at preferential prices, but there is no provision in our statutes assigning a fixed quota to that area such as has been allotted to other Latin American nations. In the wake of Cuba's withdrawal from the association of democratic nations and the termination of her export quota by President Kennedy, Colombia was called upon to supply and did supply to the U.S. market about 80,000 tons. Colombia now would like to take part in the sugar future as a regular exporter to the United States on a fixed quota basis at U.S. prices and as participant in supplying any additional requirements which the United States may experience due to growth in population, deficits, and other contingencies.

Fourth. Amendments to the present Sugar Act proposed in H.R. 11730 retain a fixed quota for the Republic of the Philippines under treaty; also, for many other countries including some in Latin America. However, as to the foreign suppliers with quotas, other than the Philippines, the preferential U.S. prices which have prevailed will on a graduated scale be recaptured through the levying of import

fees so that in each year until 1966 the preferential prices will be reduced by 20 percent. Ultimately, it is anticipated, there may be quotas but there will be no preferential U.S. prices. All additional U.S. sugar imports, including supplies assigned to foreign areas to make up the deficiency created by the withdrawal of the Cuban quota, will be within a global quota system on a first-come, first-served basis at U.S. prices but subject to an import levy which will have the effect of recapturing the differential from world market prices for the U.S. Treasury.

Fifth. The sugar industry of Colombia naturally is respectful of the prerogatives of the Government of the United States in determining its own economic and foreign policies. Nonetheless, we wish to join others who have frankly expressed their concern over a plan to reject the quota and premium price devices in favor of so-called global quotas and competitive world market prices. Colombia alines itself with the views of the chairman of this committee who stated according to a recent press release; as has been pointed out to this committee before, but is worth quoting again:

> The basic sugar program has worked well for many years and has accomplished its purposes, namely: (1) To make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) to permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

The Republic of Colombia, for example, will be a much more dependable and secure source of sugar supplies at stable prices for the United States if it will possess a regularly assigned portion of the domestic market at U.S. prices, without recapture in full or in part, as a target toward which to set its sights.

Sixth. Being one of the countries in Latin America with a firm and consistent position against Castro influence, Colombia may state with conviction that Cuba and its Communist dictators are not safe or reliable influences when a free world sugar market is under consideration. Cuban and Russian delegates to the International Sugar Conference in Geneva argued all too vehemently for our comfort in favor of opening up the U.S. market on a global basis with no preferential prices.

The world market, so called, has been rigged before and can be rigged again and although the surplus for export of Colombian sugar production would, in the absence of any other markets, be constrained to enter into the global quota, so called, this would not be a happy solution for Colombia and we submit will be a hazardous one for consumers in the United States.

On this subject the Colombian representatives venture to suggest that Latin American suppliers of sugar, other than Cuba, ought to be considered in revised sugar legislation for fixed annual quotas on a much more extensive scale than is presently provided or is contemplated by the proposed amendments to the Sugar Act.

There can be no reasonable objection to setting aside a generous portion of the total formerly imported from Cuba for the benefit of mainland and offshore U.S. producers of cane and beet sugar. We

suggest, however, that the legalized reservation of a huge quota of more than 2½ million tons annually for Cuba when, as it is hoped, Cuba abandons its present anti-American and anti-West affiliations, is not realistic. It seems to us more forthright and compatible with current world conditions to adopt affirmative plans now for sugar allotments to foreign suppliers to the United States without definite commitments or reservations of any kind based on a resumption of diplomatic relations with Cuba whenever that may happen.

In other words, we submit that in your planning for the future of sugar imports you should employ an approach which will presently embrace granting definite quotas by statute, as you have done before, to Latin American countries without being impeded as to quantity by statutory reservations of what will have to be restored to Cuba on some future eventuality.

If all or a large part, say another million tons, would be removed from Cuba's promised land of sugar, an adequate quantity would be available for distribution to other foreign suppliers ready, willing, anxious to perform and deserving of this consideration.

Seventh. I shall not belabor the many arguments which I am sure have been presented to you in connection with other legislative programs based upon the Alliance for Progress. We should observe, however, the encouraging impetus which has been given by the assertions of Punta del Este to the active and constructive participation of Latin American Republics in their own economic and social advancement. Colombia stands high among those countries which have sincerely subscribed to the self-help principle and affirms here and now that as God helps those who help themselves, Colombia will itself make great progress socially and economically in the confidence that further help will follow such a course.

Already Colombia has enacted effective land reform legislation and has adopted tax laws geared to current necessities and implemented with adequate administrative procedures.

An opportunity to export sugar on a dependable basis through a U.S. fixed quota at preferential prices for a reasonable period in the future is high in the aspirations of Colombia sugar producers and the great number of people dependent upon them.

Eighth. In absolute quantities we are requesting an insignificant allotment. Colombia now has the potential of exporting about 100,000 tons annually after accommodating its local needs. It is unlikely to increase its production measurably on the sole basis of an attractive market in the United States. There are natural physical restrictions and impediments to an artificial extravagance in this direction. Moreover, the per capita consumption of sugar including "panela" in Colombia is one of the highest in the world. It follows that with population growth and higher living standards in prospect additional sugar including "panela", if it encounters a diminishing export market in the future, can be absorbed locally. There is thus no great risk in increasing production geared to a considerable U.S. export potential.

Out of the allotment of 9,700,000 tons most recently announced as the U.S. annual consumption requirement or the 4,500,000 tons allowed foreign suppliers, Colombia could be included to the extent of 50,000 tons or so without even denting the total quota allotments. The security of the position of Colombian producers, on the other hand,

which would result from the granting of a legal quota of this size would be enhanced in a proportion beyond any stretch of the imagination of the advanced and prosperous business community of the United States.

The stimulus accompanying a quota established by law in the United States would, moreover, lead the Colombia industry to stock modest surpluses and to prepare for some increased production guaranteeing the export of additional amounts of sugar to the United States when conditions may make this necessary. Beyond its quota, Colombia will thus be in a position and greatly desires to ship additional amounts of sugar to the United States while Cuban imports remain under suspension.

On the basis of what we have said and the few documents which I request may be included in the transcript or in the record of these proceedings, the sugar producers of Colombia expectantly look forward to revised sugar legislation which in the first instance will give to Colombia a fixed annual quota in U.S. sugar imports at preferential prices with no provision for recapture of the so-called premiums and, next, will grant an opportunity to Colombia to participate in extraordinary sugar requirements of the United States to an extent which is in equitable proportion to other foreign suppliers and within the capacity of the Colombia sugar industry to meet out of its exportable production.

Again, gentlemen, thank you.

I would like to include in the transcript, if the committee pleases, two exhibits which I have attached to my statement, and also to file for the record a very interesting brochure prepared by the Colombian sugar industry and other industries.

The CHAIRMAN. Without objection, Mr. Schein, the exhibits attached to your statement will go into the transcript and you may file the other document with the committee.

Mr. SCHEIN. Many thanks for this opportunity to be here.

The CHAIRMAN. We thank you for this splendid statement you have presented on behalf of Colombia. I am certain that the committee will, in executive session, consider all of the information you have provided.

(Exhibits 1 and 2 referred to follow:)

(Public Law No. 840)

EXHIBIT 1

Colombia.—Agricultural agreement between Colombia and the United States

[Millions of U.S. dollars]

Products	June 23, 1955	Dec. 20, 1955	Apr. 16, 1957	Mar. 14, 1958	Oct. 6, 1959	Total
Wheat	1.6	3.4	10.8		18.2	34.00
Flour			3.0	0.05	5.0	8.05
Cotton	1.6	6.0	3.0	2.8		13.40
Cottonseed oil	1.0					1.0
Milk and butter	.7			.28		.98
Cooking oil		1.5	1.84	2.5	3.4	9.24
Tobacco				.5	1.1	1.6
Freight	.4	.7	1.76	.32	3.9	7.08
Total	5.3	11.6	20.4	6.45	31.6	75.35

NOTE.—Besides the purchases made under Public Law No. 480, Colombia has bought considerable amounts of wheat and other products in the world market, especially from the United States.

EXHIBIT 2

Colombia—Raw sugar

[Metric tons]

Year	Number of hectares producing sugar [1]	Production	Total		Net		Consumption	Stock at the end of the period
			Import	Export	Import	Export		
1951	26,120	197,590	31	53,870		53,839	143,751	19,636
1952	26,010	196,740	1,679	3,550		1,871	192,782	21,723
1953	25,000	189,629	14,665	65	14,600		198,682	27,268
1954	31,810	240,655	59	35	24		215,300	52,647
1955	33,490	253,333	30	29,876		29,846	227,130	49,004
1956	34,550	261,374	2	58,422		58,420	225,954	26,004
1957	30,920	233,871	23,042	2,683	20,358		268,967	11,267
1958	34,840	263,613	43,818		43,818		291,869	26,829
1959	36,590	276,812	5,418		5,418		283,562	25,497
1960	45,940	328,327	6,630	127	6,503		288,193	72,134
1961	48,000	361,159		45,994		45,994	311,248	76,051
1962	50,000	397,275					336,148	137,178
LOAF SUGAR (NONCENTRIFUGAL SUGAR)								
1962	240,000	[2] 800,000					[2] 800,000	

[1] Information submitted by the Asociación Nacional de Cultivadores de Cana. The output of cane sugar per hectare is very variable and depends upon many factors, especially the variety of cane sugar seeded.
[2] 640,000 tons of raw sugar.

The CHAIRMAN. As to the agricultural trade between Colombia and the United States, what is that under?

Mr. SCHEIN. That is under Public Law 480, sir.

The CHAIRMAN. What is the trade balance between the two countries at the present time?

Mr. SCHEIN. It is a remarkable thing. As I have studied that question for 5 years, possibly more than that, there has been a pretty even balance. Colombia will ship to the United States some $300 million worth of goods, and the United States will ship some $325 million worth to Columbia, or in another year the balance will be in the reverse, but it is substantially a very static exchange.

I think one of the favorable arguments we can present is that if and when we confidently expect Colombia grows in economic stature, the balance will be in favor of the United States, somewhere between $300 and $400 million.

The CHAIRMAN. Does Colombia usually buy agricultural commodities from the United States?

Mr. SCHEIN. Colombia has bought agricultural products from the United States, and under the agreements under Public Law 480 commits itself to buy, over a period of years, $75 million worth. Of course, the chief export of Colombia, as you all know better than I do, which represents most of this trade balance, is coffee. That is the agricultural product that goes out of Colombia to the United States. And the purchases are listed in the exhibits which I have asked to file with the transcript.

The CHAIRMAN. Let me ask you a question off the record.

(Discussion off the record.)

Mr. SCHEIN. Panela is the local name for what we call loaf sugar, the kind of sugar that is brown and sticky and looks like a candy. This is a very important part of the diet in Colombia. I am told by

some of my friends down there that youngsters walk around with a stick of this sugar in one hand and some other food in the other hand, varying from corn to cheese. This forms the main daily absorption of food. It is crystallized, a primitive type of sugar, which is a larger part of the diet. It is used for food, sweetening, and candy. That is panela.

The absorption per capita is phenomenal. It is about 160 pounds per person in Colombia, much higher than ours.

Mr. BEERMANN. Mr. Schein, I know that Colombia has been a very faithful friend of the United States.

Mr. SCHEIN. That is right.

Mr. BEERMANN. In your statement you say it desires to continue these favorable relations?

Mr. SCHEIN. That is right.

Mr. BEERMANN. I have a question or two that I would like to ask.

In this morning's Washington Post——

Mr. SCHEIN. I never read the Post. [Laughter.]

Mr. BEERMANN. Probably we prefer not to, also, but it is an early morning paper.

I read an article that said, "Expropriation formula is drafted by Goulart."

This is a Reuters dispatch under a dateline Rio de Janiero, May 24. And it reads:

> The main points of a new Brazilian expropriation decree were disclosed here today, pending publication of the complete text.
>
> The decree was approved Wednesday night by the Cabinet and is now to be signed by President Joao Goulart.
>
> The decree establishes a commission that will report to the Cabinet on which companies should be expropriated and will negotiate the terms and compensation to shareholders.
>
> Up to 10 percent of the total value would be paid immediately, and the rest by installments out of the expropriated companies' profits, keping foreign exchange payments to a minimum.
>
> At least 75 percent of the net receipts will have to be invested in Brazilian enterprises specified by the National Planning Commission, the decree said.

Then the press release contains a press release from Moscow which states:

> In Moscow, according to the Associated Press, Goulart was quoted by the Soviet Communist Party newspaper Pravda as saying in an interview that Brazil would encourage formation of an organization, consisting mostly of private firms to increase trade with the Communist world.

Since our sugar hearings are about at an end, I would like to ask you this question.

Mr. SCHEIN. You should ask it of the gentlemen from Brazil or from Mexico.

Mr. BEERMANN. I would like to ask it of the gentleman from the State Department.

Mr. SCHEIN. That could well be.

Mr. BEERMANN. I am wondering if your country were to expropriate some property of the United States, that is of some company of the United States, would you feel that this would be a fair basis on which to repay that company for their expropriated property?

Mr. SCHEIN. If you knew me better, you would know that I am constantly fighting battles for independent ownership. And some of

them are directed against our neighbors to the south, because of tendencies in various degrees to take property and either fail to consider payment entirely in these extreme cases of Cuba, for instance, or to consider what is properly a function of the government to take property that it wants and then to pay what it feels like or to go through some semblance of legalized machinery.

I would hope, and I certainly shall direct my efforts toward accomplishing such an end that Colombia and other South American or Latin American countries would not reach the extreme nationalization tendencies which are exhibited there. And, certainly, if a country exercises its right to nationalize property, to set up machinery and evaluation that would be more realistic than any that is reported in that article; yes, sir.

Mr. BEERMANN. Of course, I feel that this type of expropriation by any country will cause our American companies to take a better look at participating in foreign programs and perhaps even in the Alliance for Progress.

Mr. SCHEIN. I would say so.

Mr. BEERMANN. The other thing that I would like to mention is this. Considering sugar legislation in the future in this committee we may have to write in an amendment whereby we should not buy sugar from countries that have expropriated property until they have made proper restitution to the company for the expropriated property.

Mr. SCHEIN. If I were called in to help in such deliberations I would be flattered and I would welcome the opportunity. And to what you say I say, "Amen."

Mr. BEERMANN. Thank you very kindly.

Mr. SCHEIN. Thank you.

The CHAIRMAN. Thank you very much again, Mr. Schein.

Mr. SCHEIN. Are there any other questions?

The CHAIRMAN. I do not think so.

Mr. SCHEIN. Thank you very much.

The CHAIRMAN. Does anyone who is present desire to appear in person or to file a statement in connection with this legislation? If so, indicate that now.

Many months ago the committee announced that we would open hearings on sugar legislation, that the doors would be wide open to everybody desiring to be heard. I want to keep faith with that announcement and to say now that anyone who has not been heard who desires to be heard. I would like for them please to state so.

I said further, that if anyone desired to file a supplemental statement, or to submit an original statement, that they might do so, and I would like for that to be done not later than Monday afternoon.

The committee will now adjourn until Monday morning at 10 o'clock.

(The following statement was also submitted to the committee:)

STATEMENT OF BARAD-SHAFF SALES CO.

This statement is submitted in behalf of the Barad-Shaff Sales Co., a partnership with offices at 90 West Broadway, New York, N.Y. It opposes proposed section 5 of H.R. 11730, 87th Congress, 2d session, a provision aimed at applying sugar quotas for the first time to cover all products containing sugar, including processed food products, as well as industrial products.

INTEREST IN THE PROPOSED AMENDMENT

The Barad-Shaff Sales Co. is a partnership formed and operated pursuant to the laws of the State of New York. It engages in the import-export business. The enterprise began as a corporation in which Alexander Barad and Davis Shaff held the controlling stock interest. Mr. Shaff died in 1947, at which time Mr. Barad acquired his interest. The corporation was dissolved in 1953, and the present partnership was formed. The two partners are Mr. Barad and his son, Dr. Gerald A. Barad.

The corporation, and its successor, the partnership, have been engaged in the same general type of business since 1943. The partnership is a substantial importer of dairy products that are permitted under the quota system, and also imports other dairy products which may be imported free of quota restrictions. The partnership often stores eggs during seasons of abundant production, and distributes the eggs in years when production is down. It is not ordinarily engaged in the importation of "sugar products," as that term is understood in the trade. However, of course, some of the dairy products imported by the partnership contain substantial amounts of sugar, as discussed below.

The sales volume of the company's imports varies. Average annual volume runs between $2 and $5 million, depending on existing market conditions. Butter oil imports average about 300,000 pounds a year. In the past, the company has imported from Australia and Western Europe a product known as Junex. Junex is a mixture composed of approximately 40 to 44 percent butterfat, 50 to 60 percent sugar, some moisture, and flavoring material, such as vanilla, strawberry, or chocolate. This butterfat mixture contains no nonmilk solids. It is used in the manufacture of bakery products, confectionery, and ice cream. The partnership imported 600,000 pounds of Junex during 1961, primarily from Australia and from European countries. It also often engages in joint ventures with other importers. For instance, in 1961 a coventurer, Western Dairy, also imported 600,000 pounds of Junex. While imports compose a very substantial volume of its business, the partnership also engages in the exporting business. It is a member of the Chicago Board of Trade, the New York Mercantile Exchange, the Commodity Exchange of New York, the Chicago Mercantile Exchange, and the National Stock Exchange.

A PRIOR ATTEMPT BY THE SUGAR DIVISION TO EXCLUDE SUGAR CONTAINING PRODUCTS

For reasons stated in more detail below, we believe that section 5 would vest in the Secretary of Agriculture, or more accurately, in the Sugar Division of the Department of Agriculture, sweeping and uncontrolled administrative powers, not subject to certain and nondiscriminatory standards, capable of, indeed inviting to, abuse in their exercise, and very plainly not necessary for any legitimate purpose contemplated under the Sugar Act, either as it now exists or as it may be amended.

However, before taking up the obvious deficiencies and dangers in section 5, as it is now proposed by the Department of Agriculture, we should like to point out to the committee that this is not the first time that the Department has attempted without good cause, we believe, to prohibit or impede the importation of Junex into the United States. Junex, as previously stated, is a butterfat and sugar mixture, not sugar or liquid sugar. On October 3, 1960, a tariff classification and rate of duty applicable to the imported butterfat mixture known as Junex was solicited of the Treasury Department, through the Commissioner of Customs. Since Junex contains less than 45 percent butterfat, it is therefore exempt from the Presidential proclamation of August 7, 1957, which set limitations on imports of butterfat products, as authorized by section 22 of the Agricultural Adjustment Act (49 Stat. 773, 7 U.S.C. 624). The Treasury Department promptly held that Junex was "classifiable as a nonenumerated, edible preparation for human consumption under paragraph 1558, Tariff Act of 1930, dutiable at the rate of 20 per centum ad valorem" (T.C. 452–438).

Despite Custom's ruling, however, when the partnership and its coventurer attempted to import Junex from Australia in May of 1961, the Classification Division of the Bureau of Customs informed them that the Director of the Sugar Division had determined that the sugar content of Junex was subject to the sugar quota limitations established pursuant to the Sugar Act of 1948, as amended. Representatives of the partnership conferred with the Director of

the Sugar Division in Washington, D.C., on May 4, 1951, in an attempt to find out what lawful basis existed, either under the Sugar Act or the implementing regulations, which justified his decision that Junex fell within the sugar quota restrictions. At that time, however, the Director was unable, or at least unwilling, to say any more in support of his unusual action than to recite the statutory definition of "sugars" as this is found in section 101 of the Sugar Act. He insisted that the partnership would have to file for a quota in order to import Junex from Australia. The partnership representatives argued that the Director's demand was discriminatory and invalid on its face, in view of the specific definition of "sugars," as found in the Sugar Act.

Counsel for Barad-Shaff then conferred with the Assistant Secretary of Agriculture and with the General Counsel of the Department, and other representatives of the Stabilization and Conservation Service. Counsel argued that there was no authority in the Sugar Act, or under the existing regulations, on the basis of which the Department could lawfully blanket sugar containing products under the quota system. They cited a number of examples of products containing sugar, the sugar content of which was in excess of that found in Junex, and noted that such products had been accepted for importation into the United States without being subjected to quota restrictions. They also informed the General Counsel and his representatives that the chairman of the Committee on Agriculture of the House of Representatives had stated that it was never the intention of that committee to apply the quota provisions of the Sugar Act to products or mixtures containing sugar, but to be subject to further processing or inclusion in other products, as opposed to raw or refined sugar.

Following these conversations, the partnership subsequently was advised by the Department of Agriculture through its General Counsel, that Junex was not subjected to existing quota restrictions. They were warned, however, that regulations soon were to be promulgated by the Department which would cover Junex and similar products so as to subject them to the sugar quota restrictions of the Sugar Act.

AGRICULTURE'S ABORTIVE RULEMAKING PROPOSALS

Agriculture's next step in its attempt to bar the importation of Junex and other products containing sugar was to propose regulations which would have expanded the definition of the term "sugars" as found in the Sugar Act regulations and the parent statute. The regulations were published as proposed amendments to the Department of Agriculture's Sugar Act regulations on September 7, 1961. As promulgated, they would have included within the statutory term "sugars" any product or combination of ingredients containing "sugars" in excess of 10 percent of its total solids content, if such product or combination of ingredients was "used primarily as a sweetener," or would be used in the manufacture of "any product or products and would replace sugar or liquid sugar that would otherwise be used in the manufacture of such product or products."

As permitted by the Administrative Procedure Act, the Barad-Shaff Sales Co., through its counsel, and along with other importers of products containing sugar protested the proposed regulation with considerable vigor and understandable indignation. The partnership, for example, argued that the proposed regulations were beyond the power of the Secretary to enact, in that they represented an interpretive administrative regulation designed to expand the definition of sugar far beyond the intention and text of the Sugar Act. We also contended that the proposed amendments were an exercise of rule making authority that exceeded any powers possessed by the Secretary of Agriculture under the Sugar Act; were unfair on their face; and, on the basis of the reasons assigned by the Department in support of their promulgation, were to be administered in a discriminatory manner.

For some uncertain reason, whether because of the vigor of the comments of the protesting parties, or out of a change of mind born of belated but more objective reflection of the issues of law, on the part of the General Counsel's staff, the Department of Agriculture abandoned its proposed venture in arbitrary administrative rulemaking and came instead to the Congress for achievement of its purposes. It now proposes to create, through the enactment of section 5, the same arbitrary substantive and procedural distinctions between sugar containing products in administering the Sugar Act that it initially sought to secure through extension of its rulemaking authority under Sugar Act regulations. Again we protest. Still, we believe that what the Department

now asks of the Congress is no less arbitrary, and perhaps only a little less unlawful, than the original plan it first attempted to promulgate in the form of proposed amendments to the Sugar Act regulations on September 7, 1961.

Even if our apprehensions concerning the illegality and arbitrariness pregnant in section 5 proved unfounded, it is still difficult to perceive how the section could be administered so as to assist in carrying out any of the fundamental objectives of the Sugar Act. Applicable to a great range of commercial and industrial products containing sugar as an ingredient, the functions of policing and determination vested in the Secretary by section 5 impose arduous and unnecessary duties without any commensurate benefits for the national interests by way of assisting in the realization of fundamental Sugar Act objectives. If the Sugar Division seriously undertook the assignment which section 5 would give it, it would be forced to review the importation into the United States of almost all processed food products as well as a great number of industrial products. Obviously, if the section were to become law, the possibilities of the tail of sugar policy wagging the dog of U.S. international trade policy would be very real.

We dispute the necessity for giving the Secretary of Agriculture and his delegates the awesome responsibilities that a careful product-by-product execution of section 5 would entail. Nothing in the basic statutory objectives of the Sugar Act, as originally enacted or as amended, can be summoned to justify even a slight need for enactment of section 5. As summarized by this committee (H. Rept. 1746, 86th Cong., 2d sess., June 6, 1960, p. 4):

"Basically, the Sugar Act is intended to do three things: (1) Make possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States, and to do this without the consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of plentiful and stable supply of sugar at reasonable prices; and (3) permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar."

Surely, the Secretary does not dispute, as this committee observed, that the Sugar Act "has been notably successful in achieving all three of these major objectives." Moreover, his omission to enlighten this committee with respect to any real need for section 5 during his appearance before it may be taken as further proof that the section, at least in the mind of the Secretary, hardly appears as an indispensable addendum to the Sugar Act, whatever view of it may be taken by some of his more zealous assistants in the Sugar Division.

The Sugar Division, it appears, has a penchant for arbitrary classification. As previously stated, a number of importers of sugar-containing products protested against the manifestation of this tendency on the part of the Sugar Division when they opposed the regulations proposed on September 7, 1961, and which subsequently were abandoned.

However, the Division's talent for unreasonable classifications and distinctions again may be discerned in the language of section 5. We pass over the disturbing point that, as another witness has pointed out, section 5 makes the Department of Agriculture both judge and jury, in contrast to the separation of functions and the orderly procedure provided by section 22 of the Agricultural Adjustment Act which is applicable to agricultural products generally. Despite the fact that section 5 is predicated on the alleged need to preserve the Sugar Act quota system from impairment, the classification as between sugar-containing products which the proposed section would create, is based not on the amount of the sugar a particular product contains, but on whether or not the product or mixture was imported into the United States during any one of 3 of 5 years prior to 1960 without being subject to quota under the Sugar Act. Any other sugar-containing product that does not fall within this favored category is subject to the quota system unless, somehow, those importing it can convince the Secretary, or more accurately, the Sugar Division, that the importation of the particular product "will not substantially interfere with the attainment of the objectives of the Sugar Act."

The attempted classification to be created by section 5 is unfair, unreasonable, and unnecessary for purposes of protecting the sugar quota system. Section 5, we believe, is discriminatory on its face; at any rate, it has certainly been drafted in a manner that invites discriminatory application of its provisions. Since the famous case of *Yick Wo* v. *Hopkins*, 118 U.S. 356, where the right of Chinese as well as Caucasian laundrymen to ply their trade in wooden buildings was upheld, the courts have consistently held that statutes and regulations cannot be applied

and administered by public authority with an evil eye and unequal hand, so as practically to make unjust and illegal discriminations between persons in similar circumstances * * *." For instance, the Emergency Court of Appeals, in its decade of review of price administration orders, established and often applied the fundamental principle that:

"It is essential to fair treatment that all persons who are similarly situated be dealt with upon the same basis, and that no greater burdens be laid upon one than are laid upon the others in the same calling and condition." [1]

In proposing section 5, the Sugar Division seems to have forgotten the Supreme Court's admonition and the lessons to be drawn from the many cases that have insisted upon the requirement of reasonable classification among persons similarly situated. To illustrate the point, and to emphasize the unreasonable distinction between basically similar products that the Department has drawn in section 5, we refer this committee to a number of representative Treasury decisions which sustained the importation of sugar products or sugar mixtures containing sugar in quantities larger than that found in Junex, and larger than that found in other sugar-containing products which have not been imported into the United States "during any 3 or more of the 5 years prior to 1960." These include T.D. 54899–12 (a sugar product called Fondant, a preparation containing sucrose, dextrose sirup, and water, and testing over 50 sugar degrees; T.D. 54773 (sirup for table use, containing 6 percent sugar solids, and over 56.8 percent sugar, made from cane sugar, glucose, etc.); T.D. 54830–10 (a product called Chocolate Crumb, composed of 51 percent chocolate, 33 percent milk solids, and 19.8 percent sugar); T.D. 54594–21 (chocolate sirup mixture, containing 80 percent sugar and 20 percent unsweetened chocolate liquor, and used in the manufacture of chocolate products); T.D. 54895–7 (chocolate bars, in which the ingredient of chief value is sugar); and T.D. 54608 (a product known as banana puree, consisting of strained banana, cane sugar, and tartaric acid, in which sugar is the component of chief value).

These decisions are illustrative only. There are other examples. For example, sweetened whole condensed milk (42 percent sugar content), frozen sweetened whole condensed milk (42 percent sugar content), frozen sweetened strawberries (33 to 50 sugar percent), and fruit juices (33 to 50 percent sugar content), all have been permitted entry without any claim that they were subject to Sugar Act quotas. These instances establish that the importation of sugar products or sugar mixtures has not been a subject of concern to the Department of Agriculture in the past. They also support the point we make here, namely, that section 5 is calculated to give rise to discriminatory administrative enforcement, in that the sugar content of a product will not be the determinative factor in deciding whether or not it is subject to quota, but rather its classification as a sugar-containing product which "was imported into the United States during any 3 or more of the 5 years prior to 1960."

If section 5 is enacted into law, and the false distinction it proposes between sugar-containing products imported into the United States for 3 of any 5 years prior to 1960 is maintained, it will represent legislation in defiance of the long-established rule that statutes and administrative regulations cannot be discriminatorily applied. For instance, in *Bayuk Cigars* v. *Porter*, 154 F. 2d 503, the principle was applied to invalidate a regulation, general on its face, which discriminated against a particular cigar manufacturer who did his own tobacco packing. In *Consolidated Water Power & Paper Co.* v. *Bowles*, 146 F. 2d 492, it invalidated a regulation which accommodated some but not all paper manufacturers by listing and pricing their brands. *Hawaii Brewing Corp.* v. *Bowles*, 148 F. 2d 846, invalidated a regulation which preserved the price margins on beer imported from mainland but not locally brewed. *Supak* v. *Porter*, 158 F. 2d 803, invalidated a regulation which gave normal margins to manufacturers who filed a pricing chart and limited indirect costs for those who did not. *Booth Fisheries* v. *Bowles*, 153 F. 2d 449, found unreasonable discrimination in a regulation which gave higher margins to local wholesalers than to branches of larger wholesalers. *Flett* v. *Bowles*, 142 F. 2d 559, and *James Flett Organization* v. *Freehill*, 202 F. 2d 161, invalidated a regulation allowing brokerage on wastepaper of waste scrap sales but denying it to a selling agent for industrial accumulation. *Davidson Meat Co.* v. *Arnall*, 196 F. 2d 521, held invalid a regulation allowing higher meat

[1] *Supak* v. *Porter*, 158 F. 2d 803, 807; *Hawaii Brewing Corp.* v. *Bowles*, 148 F. 2d 846, 850; *Consolidated Water Power & Paper Co.* v. *Bowles*, 146 F. 2d 492, 494. See also, *Pfeiffer Brewing Co.* v. *Bowles*, 146 F. 2d 449; *Flett* v. *Bowles*, 142 F. 2d 559; *James Flett Organization* v. *Freehill*, 202 F. 2d 161; *Davidson Meat Co.* v. *Arnall*, 196 F. 2d 521; *Tanners Hides, Inc.* v. *Kendall*, 219 F. 2d 710. These are all decisions of the Emergency Court of Appeals.

prices to hotel suppliers, but only if affiliated with slaughterhouses. *Tanners Hides, Inc.* v. *Kendall*, 219 F. 2d 710, invalidated a regulation allowing higher prices for "selected" hides, but only if sold in carload lots.

Accordingly, for the reasons stated, we urge the committee to reject section 5 as an unnecessary and unreasonable amendment to a statute that has worked well, and under which arbitrary, bureaucratic determinations are at least rare, if not entirely unknown.

IF SECTION 5 IS TO BE RETAINED, ADJUDICATIVE HEARING SHOULD BE REQUIRED

We have stated the several, and we hope, sufficient reasons why this committee should repudiate section 5, the enactment of which the Department seeks as an amendment to the Sugar Act. However, if that section does survive to become law, we strongly urge that formal administrative hearings be specifically required as the basis for the determinations which the Secretary of Agriculture would be commissioned to make pursuant to section 5. For example, under section 22 of the Agricultural Adjustment Act, a strict separation of functions is observed. While the Secretary of Agriculture may institute proceedings under the statute, the President and the Tariff Commission have the functions of decision and investigation. Under section 5, as proposed, it is provided only that the Secretary's determinations as to whether or not the sugar quota is applicable in a particular case must be made "in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

As we read section 4 of the Administrative Procedure Act (5 U.S.C. 1003), sections 7 and 8 of that statute, which provide for a formal rulemaking hearing, are only applicable where "rules are required by statute to be made on the record, after opportunity for an agency hearing." Illustrative of requirements with respect to formal rulemaking hearings are found in the Agricultural Marketing Agreements Act, as amended (7 U.S.C. 608(c)), and those provisions of the Food, Drug, and Cosmetic Act of 1938, as to the specification of standards of identity and related functions (21 U.S.C. 371(e) 3). Orders of the Secretary of Agriculture and the Food and Drug Administrator under those respective statutes are required to be based on substantial evidence of record introduced at the hearing for which the statute provides. Cf., *Willow Point Oysters* v. *Ewing* (174 F. 2d 676 (C.A. 9, 1948), cert. den. 338 U.S. 860). This is the very minimum type of procedural protection upon which Congress should insist, should it be disposed to approve section 5 as an amendment to the Sugar Act. Section 5, as now proposed, does not guarantee the minimum procedural protection afforded by a formal rulemaking hearing, with the decision to be based on the evidence found in the record of the hearing.

Actually, an even sounder position is that which maintains that the administrative determinations which the Secretary would be required to make under section 5 are those which would deal with or relate to individual products and individual importers. Therefore, the facts on the basis of which the Secretary's decisions would rest are what have been termed "adjudicative," rather than "legislative" facts (2 Davis, "Administraitve Law Treaties," 353, 1958). Contrast, for example, *Londoner* v. *Denver* (210 U.S. 373) and *Bi-Metallic Investment Co.* v. *State Board of Equalization* (239 U.S. 441) where the Supreme Court held that an adjudicative hearing was necessary in a tax or assessment case when official action was based "upon individual grounds," but was not necessary when official action was based upon general grounds, that is, when the pertinent facts were adjudicative, but not when they were legislative.

It is hard to resist the conclusion that the specific facts which the Secretary would (or should) take into account in making the determinations required of him pursuant to section 5 would be individual or adjudicative facts. If that be true, then any hearing provided for by the statute should be of the adjudicative type, with the procedural prerequisites of section 5 of the Administrative Procedure Act made applicable. Anything less than either a formal rulemaking hearing, such as the type authorized under 7 U.S.C. 608(c), or a formal administrative adjudication subject to provisions of section 5 of the Administrative Procedure Act falls short of the standards of procedural fairness which the Congress should require as the minimum protection afforded if it decides to authorize the sweeping powers and discriminatory classifications which the Department of Agriculture asks for in seeking the passage of section 5.

(Whereupon, at 11:50 a.m., the committee adjourned, to reconvene in executive session at 10 a.m., Monday, May 28, 1962.)

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SUGAR ACT AMENDMENTS OF 1962

U. S. DEPARTMENT OF AGRICULTURE
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HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

ON

H.R. 12154

AN ACT TO AMEND AND EXTEND THE SUGAR ACT OF 1948, AS AMENDED

JUNE 20, 21, 22, AND 23, 1962

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SUGAR ACT AMENDMENTS OF 1962

WEDNESDAY, JUNE 20, 1962

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:15 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Long, Smathers, Anderson, Douglas, Gore, Talmadge, Williams, Carlson, Bennett, Curtis, and Morton.

Also present: Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The committee has under consideration the Sugar Act Amendments of 1962, H.R. 12154. I place in the record two staff memorandums showing the principal provisions of the House-passed bill, and summary of the proposed quotas, as well as a copy of the bill.

(The documents referred to follow:)

PRINCIPAL PROVISIONS OF H.R. 12154, SUGAR ACT AMENDMENTS OF 1962

The bill—

1. Extends the act to December 31, 1966.
2. Increases the quotas for domestic sugar-producing areas about 625,000 tons (based on 9.7 million tons anticipated consumption) and provides 63 percent of the increase in consumption shall be provided by domestic areas (as against 55 percent previously).
3. Allocates basic quotas to 26 countries including Cuba.
4. Authorizes the purchase of the Cuban quota from 11 countries through December 1963.
5. Provides that a deficit in the quota or proration for any domestic area or foreign country would be prororated on basic quotas to quota countries. If these cannot supply the deficiency, then allocations may be made to nonquota countries with which we are in diplomatic relations.
6. Provides that any nation which unlawfully expropriates American-owned property or otherwise seriously discriminates against such property may have its quota suspended.
7. Provides that if any nation discriminates against the U.S. citizens in its sugar program the President may suspend its quota.
8. Authorizes the payment of $22.8 million to the Dominican Republic and to American sugar companies for the entry fee imposed on nonquota sugar purchases during the Trujillo regime.
9. Provides that quotas apply to the sugar content of any sugar-containing product which does not have a recent history of importation unless the importation will not interfere with the objectives of the act.
10. Provides direct-consumption sugar limitations similar to those in present legislation for Hawaii, Puerto Rico, and the Philippines. No direct consumption imports would be permitted from countries other than the Philippines if their quotas are in excess of 20,000 tons. For countries under 20,000 tons quotas of direct consumption sugar would be based on average entries during 1957–59.

11. Sets up a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses and eliminates other liquid sugar quota.

12. Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas. The Virgin Island quota may come only from that area and must be produced there.

13. Provides a national reserve of not more than the acreage needed to yield 50,000 tons of sugar to be assigned to farms on a fair and reasonable basis without regard to any previous production history. Clarifies circumstances under which the Secretary would establish grower proportionate share and the Secretary's authority to consider the sugarbeet production history of farm operations.

Summary of Quotas Proposed in H.R. 12154

H.R. 12154, as passed by House of Representatives, extends act 4½ years to December 31, 1966, with basic U.S. quota set at 9,700,000 tons, of which 5,810,000 tons allocated to domestic growers and foreign suppliers share in balance of 3,890,000 tons.

Domestic basic quota shared as follows:

Beet sugar	2,650,000	Puerto Rico	1,140,000
Cane sugar	895,000	Virgin Islands	15,000
Hawaii	1,110,000		

Foreign basic quota shared as follows:

Cuba	1,500,000	Colombia	35,000
Philippines	1,050,000	Haiti	25,000
Peru	200,000	Guatamala	20,000
Dominican Republic	200,000	Argentina	20,000
Mexico	200,000	India	30,000
Brazil	190,000	South Africa	20,000
British West Indies	100,000	Panama	15,000
Australia	50,000	El Salvador	10,000
French West Indies	40,000	Paraguay	10,000
Costa Rica	30,000	British Honduras	10,000
Nicaragua	30,000	Fiji Islands	10,000
Republic of China	45,000	Netherlands	10,000
Ecuador	30,000	Mauritius	10,000

Cuba quota 1,500,000—allocated on a temporary basis of 1 year as follows:

Philippines	150,000	Australia	150,000
Peru	150,000	Republic of China	150,000
Dominican Republic	150,000	South Africa	100,000
Mexico	150,000	Mauritius	100,000
Brazil	150,000	India	100,000
British West Indies	150,000		

[H.R. 12154, 87th Cong., 2d sess.]

A BILL To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1962".

Sec. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: By striking out the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth

in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture. In order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) (1) for domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be aportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas:

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

"(b) for the Republic of the Philippines, in the amount of one million and fifty thousand short tons raw value of sugar.

"(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

"(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

"(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less six hundred and sixty-seven short tons, raw value, for 1962 and less thirteen hundred and thirty-two short tons, raw value, for 1963 and each

year thereafter, shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba	52.84
Peru	7.04
Dominican Republic	7.04
Mexico	7.04
Brazil	6.69
British West Indies	3.52
Australia	1.76
Republic of China	1.58
French West Indies	1.41
Colombia	1.23
Nicaragua	1.06
Costa Rica	1.06
India	1.06
Ecuador	1.06
Haiti	0.88
Guatemala	0.70
Argentina	0.70
South Africa	0.70
Panama	0.53
El Salavdor	0.35
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35
Mauritius	0.35

"(B) for the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph, shall be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. For the period ending December 31, 1962, and for the calendar year 1963 any such quantity as is authorized for purchase and importation under this paragraph (4) shall be allocated on the following basis:

"(i)

"Country	Per centum
Republic of the Philippines	10
Peru	10
Dominican Republic	10
Mexico	10
Brazil	10
British West Indies	10
Australia	10
Republic of China	10
India	6.67
South Africa	6.67
Mauritius	6.66

"(ii) the Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production of sugar, and other pertinent factors, countries with purchase authorizations under subparagraph (i) of this subsection will fill them at such times as will meet the sugar requirements of consumers. If the Secretary determines that any country will not so fill its purchase authorization at such time as will meet the sugar requirements of consumers, he shall cancel it to the extent that he determines it will not be so filled, and he shall authorize for purchase and importation into the United States a quantity of sugar equal to the amount of the purchase authorization so canceled by revising the authorizations for purchase and importation from the other foreign countries named in subparagraph (i) of this subsection by prorating such quantity among them. If the Secretary determines that any such country is unable to fill its revised authorization at such times as will meet the sugar requirements of consumers, he shall authorize the purchase and importation of such unfilled quantity from such foreign countries as he determines will meet the sugar requirements of consumers.

"(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States:

"(6) sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar;

"(d) whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

"(e) if a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

"(f) the quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for

foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately following the words "sugarbeets or sugarcane" the following language ", limited in any year when proportionate shares were in effect to processings".

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Admiinstrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to

1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

"(2) The prorotion or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 8. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish prooprtionate shares for farms in such areas as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b)."

SEC. 12. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other auhorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202 (c)(4), or apportioned in accordance with section 204(a), whichever procedure is applicable.

"(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable."

SEC. 13. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "June 30" and inserting in lieu thereof "December 31" and by striking out "1962" in each place it appears therein and inserting in lieu thereof "1966".

SEC. 14. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 15. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" in each place it appears therein and inserting in lieu thereof "June 30, 1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" and inserting in lieu thereof "June 30, 1967" and by striking out "March 31, 1963" and inserting in lieu thereof "September 30, 1967".

SEC. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 shall become effective upon the date stated in regulations implementing such section and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

SEC. 18. There is hereby authorized to be appropriated to the President an amount equivalent to all sums collected through special fees on nonquota purchase sugar imported from the Dominican Republic between September 26, 1960, and March 31, 1961, and deposited in the United States Treasury, which sums the President shall return to the Government of the Dominican Republic at such time as (1) the President has been notified by the Government of the Dominican Republic that all privately owned sugar companies which paid any such fees have entered into an agreement with the Government of the Dominican Republic to receive in Dominican currency their shares of such fees, after payments of Dominican taxes and amounts due colonos, and to utilize such net amounts in a manner designed to further the economic or social development of the Dominican Republic; and (2) the President has been advised by the Department of Justice that it has received assurance from the persons paying such fees that all present or potential claims against the United States based on the payment of such fees are thereby satisfied with no further liability to the United States.

The CHAIRMAN. Mr. Charles S. Murphy, the Under Secretary of Agriculture, will be the first witness.

Take a seat, Mr. Murphy.

STATEMENT OF HON. CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE; ACCOMPANIED BY JOHN C. BAGWELL, GENERAL COUNSEL, DEPARTMENT OF AGRICULTURE; AND LAWRENCE MYERS, DIRECTOR, SUGAR BRANCH

Mr. MURPHY. Mr. Chairman, and members of the committee, I am glad to have this opportunity to appear before this committee to testify on H.R. 12154, the bill passed by the House to extend and amend the Sugar Act. I would also like to refer to S. 3290, a bill which was introduced by 36 Members of the Senate for a similar purpose.

(A copy of the bill S. 3209 appears at the end of Secretary Murphy's testimony.)

Mr. MURPHY. On May 16 the Secretary of Agriculture appeared before the House Committee on Agriculture and testified on behalf of the administration's recommendations for extension and amendment of the Sugar Act.

The bill, as passed by the House, on June 19 is substantially the same as the administration's recommendations, with respect to participation by American farmers in our sugar market. Accordingly, I will not dwell at any length upon these provisions—particularly since they are in accord, I understand, with the thinking of all segments of the domestic industry.

Senator ANDERSON. Do you suppose there should be a comma after the word "recommend"? It means one thing with a comma and something else without it.

Mr. MURPHY. I think the comma should not be there, Senator Anderson.

Senator ANDERSON. Yes; in other words, it is substantially in accord.

Mr. MURPHY. In this particular respect the House bill is substantially in accord with the recommendations of the administration.

In essence, the offshore domestic areas, Hawaii, Puerto Rico, and the Virgin Islands, would be enabled to market all of the sugar they are likely to produce between now and the end of 1966 when the extension would expire.

Mainland sugarcane production in Louisiana and particularly in Florida has expanded tremendously during the 3 most recent years when production was unrestricted.

Because of the many new mills in Florida and the vastly expanded acreage it probably will be necessary to control mainland sugarcane production beginning in 1963.

However, the more than 35-percent increase in the quota for mainland cane suggests that it will not be necessary during the life of the extension to curtail production below 445,000 acres. This is 85,000 acres more than 1961 production.

The bill provides that 63 percent of market growth or a little more than 100,000 tons a year would be available to the two mainland producing areas in ratio to their basic quotas, that is, about three-fourths to the beet sugar area and one-fourth to the mainland cane area. The approximate 25,000 tons a year expansion for cane will ease the annual acreage restrictions in Louisiana and Florida.

As to sugarbeets, the approximately 75,000 tons annual increase in quota on top of the 25-percent enlargement of that area's basic quota to 2,650,000 tons, plus the need to replenish inventories which have fallen below desirable working levels would be sufficient to provide for all the sugarbeets that reasonably may be expected to be processed in the existing sugarbeet factories and to provide for the entry of some additional production in new localities.

The bill provides that acreage not in excess of that needed to yield 50,000 short tons of sugar shall be reserved for growth and expansion of the beet sugar industry.

In response to a question at the House committee hearing, the Secretary of Agriculture stated that it was his understanding that each year in which proportionate shares are effective the acreage required to produce 50,000 tons of sugar, or about enough for one new factory, would be reserved primarily for new localities of production.

In the House committee report on pages 6, 7, and 8, his statement is repeated and a system of priorities and selection is suggested at somewhat greater length.

Your committee may wish to provide additional legislative history or statutory language with respect to his administration of the new locality provision and you may be sure he will welcome all of the guidance you may care to give him in what, I know, will be a difficult administrative decisionmaking procedure.

I would like to direct my remarks now to that part of H.R. 12154 which is in substantial disagreement with the administration's recommendations, that is, the part that concerns the acquisition of foreign supplies.

The administration has recommended and S. 3290 provides that the quotas for foreign countries other than Cuba under the present act be continued and that the balance of our foreign requirements of 2,585,000 tons at the present level of sugar requirements be prorated to Cuba to become available to that country when we resume diplomatic relations.

Importations of such sugar would be subject to an import fee of the amount needed to effect a domestic price which would fulfill the objectives of the act. It was further recommended that the quotas for foreign countries other than the Republic of the Philippines be subject to payment of a fee graduated on a rising scale. No change was recommended with respect to the quota of the Republic of the Philippines or the terms of importation from the Philippines.

The principal reason why the administration recommended the recapture of the quota premiums through the import fee and the so-called global quota are as follows:

(1) It will increase Treasury receipts by about $130 million a year to begin with and by more as the years pass.

(2) It will improve the U.S. balance-of-payments position by an equal amount.

(3) It will provide better assurance of sugar supplies when and as we need them.

(4) It will avoid discrimination by the United States among various nations with which it has friendly relations.

The Sugar Act was written 28 years ago to deal with the economic emergency then existing. It was tailored to meet the situation when

the Philippines were part of the United States and Cuba was our only substantial foreign supplier of sugar.

The Sugar Act worked well during the prewar period and during the early postwar years. It benefited producers in the United States and the Philippines and lifted Cuba out of the depression.

Moreover, while we had a cooperative government in Cuba that was able to supply this country with virtually unlimited quantities of sugar at any time, the system gave protection to domestic consumers as well as to producers.

With the advent of the Castro government and communism in Cuba we lost the very basis upon which the previous system of country quotas was established.

Since late 1960 this country has tried to maintain the form of the old system by distributing Cuba's quota among other foreign suppliers.

Through good luck we have been able to obtain supplies for domestic consumers without disruption or serious price increases. The fact remains, however, that this has been more the result of good fortune than of good management.

Reserve supplies in the individual foreign supplying countries have not been adequate to give American consumers real supply protection.

The sugar quota system has become a foreign aid measure in which we determine the amount of aid we give to a foreign country by its ability to gain access to our sugar market rather than by its demonstrated need for foreign assistance.

In 1961 we imported sugar from more than 20 foreign supplying countries and paid them a total of over $200 million in excess of the world average price of sugar.

Let me say why the administration supports a price well above the competitive level for domestic producers and does not support the same high premium price for foreign suppliers, other than the Republic of the Philippines with which we have a trade agreement.

The degree of support afforded domestic producers is possible only because the act provides for production management.

Without production adjustment, the demand to produce sugar crops would expand rapidly in this country. The act does not provide and it is obviously impossible to control production in foreign countries. Right now, production is being expanded in many countries of the world in the hope of obtaining a larger quota in the U.S. premium market.

If this situation is permitted or encouraged to continue, the United States may soon be accused of promoting overproduction and of breaking international markets.

Even now, it is impossible to satisfy the demands of foreign producers for a place in this market. In a few years the disappointment of those countries which do not receive the marketing opportunities they hope for will be further aggravated.

I would like now to comment on arguments that have been made against the so-called global quota.

1. It has been said the protection provided domestic producers for more than 25 years under the Sugar Act would be impaired unless the benefits to domestic producers (other than direct Government payments and tariff protection) be made available to foreign countries—29 of them as provided in H.R. 12154.

I do not really understand this contention. The price and income protection for domestic sugar producers stems from section 201 of the act which requires the Secretary of Agriculture to make available a supply of sugar that will be consumed at prices that will not be excessive to consumers and that will protect the welfare of the sugar industry.

That section provides further detailed guidance to assure the attainment of the general objective of fair and stable prices.

The administration subscribes without reservation to the philosophy that American farmers should be enabled to participate with all other segments of our population in the abundance this country has to offer.

The administration in drafting its recommendation provided assurance that when foreign sugar enters the flow of commerce in this country it would be priced at a level consistent with the terms of section 201 of the Sugar Act.

The mechanism provided is simple and it is sure. All foreign sugar coming into this country must pass through a customs port of entry. Right now under the present Sugar Act, no quantity of sugar in excess of 100 pounds may be entered without the collector of customs having in his possession a quota clearance certificate issued by the Department of Agriculture.

The administration proposes that such clearance certificates for foreign sugar other than from the Republic of the Philippines be issued only upon payment or binding agreement to pay an import levy approximately equal to the difference (after adjusting for freight and most-favored-nation tariff) between the world market price of sugar and a domestic price consistent with price objectives of section 201.

The fee would be varied from time to time whenever necessary. Thus, after this sugar is cleared through customs it is priced in conformity with the price of domestic sugar similarly situated.

2. A number of persons have expressed fears that permitting all friendly countries to compete on the basis proposed would not provide the security of foreign sugar supply obtainable under a system of individual country quotas. The validity that this argument may have had disappeared when Castro took over Cuba and reoriented the entire life of that country.

It is true enough that Cuba once maintained ample supplies of sugar throughout every month of the year to serve whatever surges might occur in the demand for sugar in the United States. But this is the past. No country today produces and has available supplies of sugar for export in the quantities that Cuba once had.

In July 1960, when we discontinued sugar importations from Cuba, a number of our other supplying countries had recently accumulated surpluses, in some cases to embarrassing proportions.

The two events happened to occur at about the same time. But in the last 2 years we have drained those surpluses away and current exportable supplies from those countries as well.

For more than a year, our foreign supplies available under a strict allocation basis have been shipped hot from the mills. A natural disaster in any one of the countries, a strike or other economic emergency, or a miscalculation as to production potential interferes with the flow of sugar from that source. This can no more be corrected quickly than it can be foreseen.

It disturbs the marketing of domestically produced sugar which becomes available in quantities in the closing quarters of the year. It disturbs the price stability that is so desirable under this type of legislation.

Summertime foreign supplies, when demand is heavy, are distressingly meager and last quarter supplies are embarrassingly large when the mainland areas are in the midst of their heavy production.

The fact is that the insecurity and instability of our foreign supplies would be corrected under the administration's recommendation and consumers would have the security of supplies that they have not known in the last 2 years.

In the global quota of more than 2,585,000 tons, all of the friendly countries could compete for a share of our market, and our refiners would have all of these sources from which to obtain their suppiles as needed.

If a stoppage occurs in the flow from one source, additional quantities are readily available elsewhere.

The situation reverts in essence to what it was when Cuba maintained a large reserve and made it available when and as needed.

3. It is said that the economies of a number of our quota-supplying countries are geared to the premium price of the American market and will suffer in making the adjustment to the world market price level, even if that market rises somewhat following the merger of our foreign requirements into the world market.

It is true that the adjustment could better have been made 2 years ago than now.

On the other hand, many of these countries had burdensome supplies of sugar at that time which were beginning to create severe economic problems.

As a result of the Cuban windfall, those countries supplied many times the quantities of sugar they had previously been permitted to market in the United States. Aside from the Republic of the Philippines whose premium price status is unchanged under the proposed amendment, all foreign countries other than Cuba collectively supplied less than 300,000 tons of sugar annually to the United States prior to July 1960.

Under S. 3290 which embodies the administration's recommendation, they would retain quotas somewhat larger than they had 2 years ago and the premium on this sugar would be reduced gradually until eliminated at the end of 1965.

It is certainly better to begin eliminating the quota premium now than at any time in the future when, if not eliminated, the sugar economies of those countries would be even more firmly geared to our premium price. If this occurs and the Communist regime in Cuba falls, either there will then be little opportunity in our market for Cuba or an even more difficult adjustment will have to be made in the sugar economies of the other countries.

4. It has been said that the determination and imposition of a variable import levy by an executive department places too much power in that department.

I am sure the members of this committee know that the Sugar Act for many years has authorized the Secretary of Agriculture to establish the total supply of sugar that can be marketed in this country.

His direct actions with respect to sugar supply under this authority have had an indirect but very sure effect on prices—in fact, exactly the same effect as the determination of the amount of the variable import levy would have.

S. 3290 provides adequate guidance to the Department, both as to the amount of the import fee to be established and the supply of sugar made possible by the total quotas including the so-called global quota.

5. It is said that the imposition of the variable import levy will be regarded as an unfriendly act by many of the countries that have supplied our sugar.

This is inescapable but in time will be relegated to the past. On the other hand the experience of the last 2 years makes it very clear that our present sugar import policy wins us no friends. Regardless of the terminology used, such as "quota" and "nonquota" sugar, when a country receives an allocation for one period it expects one of greater or equal size in each succeeding period.

Misunderstandings have arisen because of the irregular nature of the allocations. Countries that have not received allocations have felt even more strongly that they have been subjected to discrimination.

Failure to receive allocations and the receipt of allocations, alike, in the past 2 years have produced misunderstandings and in some cases ill will.

6. It has been said that buying our foreign requirements at the going price is contrary to our national policy of trying to improve the market for basic commodities, particularly those produced in Latin America.

It is difficult to understand how the practice of buying sugar from selected countries at very high premium prices without ability to tailor production to market needs could contribute to sound and orderly markets for basic commodities.

Conversely, the opening of our market to all friendly cane sugar exporting countries would certainly improve the international marketing climate for sugar and because of the enlarged marketing opportunities support the price of sugar eligible for entry here that moves in world trade.

7. It has been said that current production costs are higher than the world price for sugar. This may be but, if so, a substantial contributing factor has been the hope of disposing of exports in the U.S. premium priced market.

Furthermore, these hopes undoubtedly have given rise to production plans in high-cost producing areas. The most obvious solution for bringing prices up to a profitable level is to remove a device which can only in the long run bring about overproduction, disorderly markets, and unprofitable enterprises.

With respect to the importation of direct consumption (refined) sugar, S. 3290 retains without substantial change the direct consumption limitations of the present act except that the 375,000-ton limitation within the proration for Cuba would be reduced to 250,000 tons when we are in diplomatic relations with that country and eliminated completely at other times.

This change is recommended to compensate the cane sugar refining industry for its percentage loss of the total sugar market stemming from the fact that refined beet sugar marketings have been increasing at a faster rate than total market growth.

S. 3290 which embodies the administration's recommendations with respect to the Sugar Act provides needed changes to bring the sugar program into conformity with the situation that now exists and to make it viable for the changes which may occur before the end of 1966.

Mr. Chairman, and members of the committee, as you know, the House bill departs very substantially from the administration's recommendations with respect to imported sugar. H.R. 12154 increases the basic quota for foreign countries other than Cuba by about 1,085,000 tons, reduces the quotas reserved for Cuba when it returns to the hemispheric community of nations to 1,500,000 tons, and allocates that quota for the balance of this year and next year to 11 of the 29 countries which are granted basic quotas. The report on the bill indicates that Congress will review the temporary allocations of the Cuban quota after 1963.

The House bill further provides that the quota premium will continue to be paid on all foreign sugars.

There is one additional special provision of the House bill, not recommended by the administration, to which I wish to call attention. Section 18 of H.R. 12154 provides for the refund of more than $22 million collected as an entry fee on the nonquota purchase sugar which the act provided for the Dominican Republic during the last half of 1960 and the first quarter of 1961, a period within the Trujillo regime.

In March of 1961, the act was amended to relieve the President of the requirement that he purchase nonquota sugar from any country with which we are not in diplomatic relations.

No further nonquota purchase sugar was purchased from the Dominican Republic until this year by which time diplomatic relations had been resumed with the present Government of the Dominican Republic.

No fee was collected at any time on the sugar which came into this country within the statutory quota for the Dominican Republic.

Two of the companies, or their successors, who paid the entry fee on nonquota sugar in order to market it have brought actions in the Court of Claims to recover the fees that each paid.

It is the opinion of the responsible legal authorities of the Government that the fees were properly and legally imposed and it is our feeling that the litigation should be permitted to proceed without legislative interposition.

For the above reasons the Department of Agriculture feels strongly that the program recommended by the Secretary of Agriculture in his letter of May 14, 1962, to the Vice President and the Speaker of the House constitutes a sound and desirable basis for amending and extending the Sugar Act.

We would now like to renew those recommendations and urge that this committee amend H.R. 12154 accordingly.

Mr. Chairman, that concludes my prepared statement.

I am accompanied here by Mr. John Bagwell, the General Counsel of the Department, who is an old hand at sugar legislation, and by

Mr. Larry Myers, the Director of the Sugar Division of ASCS, who has been engaged in administering this act for many years, and between us, we will be delighted to answer questions the committee might have.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Senator Kerr?

Senator KERR. Mr. Secretary, I have a staff memorandum that is designated "Summary of quotas proposed in H.R. 12154 as passed by the House of Representatives."

Have you seen that memorandum?

Mr. MURPHY. No, sir; I have not.

Senator KERR. I wonder if somebody would hand him a copy of it.

As I look it over, I see the domestic basic quota share is as follows: Beet sugar, 2,650,000 tons; cane sugar, 895,000 tons; Hawaii, 1,110,000 tons; Puerto Rico, 1,140,000 tons, and Virgin Islands, 15,000 tons.

Can you tell me whether the Hawaiian quota is beet sugar or cane sugar?

Mr. MURPHY. Cane sugar.

Senator KERR. That is cane sugar?

Mr. MURPHY. Yes, sir.

Senator KERR. Can you tell me whether the Puerto Rican quota is cane sugar or beet sugar?

Mr. MURPHY. Cane sugar.

Senator KERR. Cane.

Virgin Islands?

Mr. MURPHY. Cane sugar.

Senator KERR. Cane sugar.

Well, then, of the 5,810,000 tons, 2,650,000 tons are beet sugar, 3,160,000 are cane sugar?

Mr. MURPHY. Yes, sir; I believe that is correct.

Senator KERR. Now, you said something in your statement about great increases in the last year or two in the quotas for domestic production.

Mr. MURPHY. There would be substantial increases, Senator, under this bill in the basic quotas over the basic quotas provided for in existing law.

Senator KERR. I thought you said there had been substantial increases in the last year or two?

Mr. MURPHY. There have been sizable——

Senator KERR. Where is that part of your statement?

Mr. MURPHY. I do not remember that particular statement.

There have been substantial increases in production in the last year or two, although not substantial increases in basic quotas. The increases in production have come about because there have been no controls during the last couple of years.

Senator KERR. Well, where has that increase been?

Mr. MURPHY. Sir?

Senator KERR. Where has that increase been?

Mr. MURPHY. It has been some increase in both the beet sugar areas and in the cane sugar areas.

I think I now recall the part of the statement to which you refer.

Senator KERR. Would you tell me where that is?

Mr. MURPHY. There has been a very substantial increase in plantings in Florida, particularly this year, 1962.

Senator SMATHERS. What was that again? I did not hear that.

Mr. MURPHY. This is referred to on the first page of my statement, at the bottom of the page.

Senator KERR. How much increase has there been in Hawaii?

Mr. MURPHY. I would like, if I may, to ask Mr. Myers to respond to that question.

Mr. MYERS. Senator Kerr, both Hawaii and Puerto Rico have had deficits for several years. Hawaii has never recovered fully from the strike that it had in 1958. Its production has been coming up gradually, but it is not up to the old quota level; and Puerto Rico has had a series of poor crops, and I understand it is suffering a poor crop again this year.

Senator KERR. Then neither of those areas has produced an increase in this domestic—has participated in this increase of domestic sugar.

Mr. MYERS. That is correct, sir; and it is their deficits and also the little minor deficit in the Virgin Islands that have resulted in reallocations to the mainland cane and beet areas and utilized all of their stocks. This required us to take off the controls.

Senator KERR. Are you not talking about the domestic cane and beet areas?

Mr. MYERS. Yes, sir.

Senator KERR. Well, now, I was looking here at the foreign basic quota shared as follows, and I see Cuba, Philippines, Peru, Dominican Republic, Mexico, Brazil, British West Indies, Australia, French West Indies, Costa Rica, Nicaragua, Republic of China, Ecuador, Colombia, Haiti, Guatemala, Argentina, India, South Africa, Panama, El Salvador—by the way, was that the island that this fellow named Columbus discovered? [Laughter.]

Mr. MYERS. No, sir.

Senator KERR. That is San Salvador.

Mr. MYERS. San Salvador. There are two arguments; one is now the Dominican Republic, and I have forgotten the other place he is supposed to have discovered, which is which.

Senator KERR. If you find which one it was, would you put that in the record? [Laughter.]

Paraguay, British Honduras, Fiji, Netherlands, and Mauritius.

Cuba quota, 1,500,000—allocated on a temporary basis of 1 year as follows:

Philippines, 150,000; I presume that would be in addition to their 1,030,000 tons?

Mr. MURPHY. That is my understanding.

Senator KERR. Peru, Dominican Republic, Mexico, Brazil, British West Indies, Australia, Republic of China, South Africa, Mauritius, and India. I have looked in vain for the name "Oklahoma" there. [Laughter.]

Now, the question I want to ask you is this:

What provision is there either in the House bill or the administration bill that would make it possible for a part of the increased production to come from the tri-State area of Oklahoma, Texas, and New Mexico, in sufficient amount to justify the building of a sugar mill there?

Mr. MURPHY. Both the bill as passed by the House, and the administration's recommendation, provide that 63 percent of the growth in

consumption of sugar be allocated to domestic producers. This would be divided approximately three-fourths beets, and one-fourth to cane.

It means about 75,000 tons a year for beets. Of this 75,000 tons a year for beets, 50,000 a year are set aside in a reserve to be used for new producers, and that is to permit the establishment of one new mill a year.

Senator KERR. Well, now, which area has been set aside for this mill I am talking about?

Mr. MURPHY. The legislation does not undertake to determine which area this will be allocated to.

The House committee report has provided some guidelines. I have asked about this a number of times, Senator, of various persons interested in the industry, and they usually smile sweetly and say that that will be the problem of the Secretary of Agriculture.

Senator KERR. Who is that?

Mr. MURPHY. I assure you the Secretary of Agriculture will be more than delighted to have guidance from this committee on how he should resolve this particular kind of a question.

Senator KERR. Well, now, where is the provision in the administration bill for this mill?

Mr. MURPHY. It is the same provision. I do not happen to have a copy of the administration bill here, but my understanding is that this provision is the same both in the bill that passed the House and in the so-called administration bill.

Senator KERR. Now, what justification is there for the allocation of a million and a half tons of the Cuban quota to 11 countries——

Mr. MURPHY. It is——

Senator KERR. Just a minute—all of which, I believe, except Australia, the Republic of China, South Africa, and India—no, India already has a quota—all of which except Australia, Republic of China, South Africa—South Africa has a quota—does the Republic of China have a quota in this foreign basic group?

Mr. MURPHY. Yes, sir. About halfway down the list, 45,000 tons.

Senator KERR. Yes.

Australia, yes. In other words, what is the justification, let us say, for giving Australia a 300 percent increase in quota, the Republic of China over 300 percent increase, South Africa a 500 percent increase, Mauritius 1,000 percent increase, India 333 percent increase, Dominican Republic nearly 100 percent increase, Mexico nearly 100 percent increase, and giving neither Oklahoma, Texas, nor New Mexico anything?

Mr. MURPHY. Senator——

Senator KERR. You know now I have had lobbyists from most of these countries, including Oklahoma, Texas, and New Mexico for quotas, and it looks to me like under the House bill just about every one of them except those three Commonwealth States or foreign countries, whichever one they might be regarded as by the Department of Agriculture, are taken care of.

Mr. MURPHY. Senator, we do not recommend any of these new quotas, any of these increases in quotas, and we could not undertake to justify them.

Senator KERR. Well, now, if this committee then put a provision in here that—of this how much percent did you say of the domestic

market—how much percent of the total consumption to the domestic producers get?

Mr. MURPHY. Under this bill they would get——

Senator KERR. Under your bill.

Mr. MURPHY. They would get just less than 60 percent of the basic quota——

Senator KERR. Of the increase?

Mr. MURPHY. No, sir; 60 percent of the consumption level that you start with, and——

Senator KERR. What do they get now?

Mr. MURPHY. They get about 55 percent of market growth under the law. Actually they have gotten a little more than 53 percent of the actual market in the last 2 years.

Senator KERR. What have they gotten since Cuba went out?

Mr. MURPHY. It has ranged upward from 53 percent, I think, to about 54. Is that right?

May I ask Mr. Myers?

Mr. MYERS. Senator, the mainland areas had this increase not because——

Senator KERR. Let's you and I start in by using the same language. By "mainland," do you refer to domestic?

Mr. MYERS. No; by mainland I refer only to the continental United States.

Senator KERR. I am talking about——

Mr. MYERS. And I am excluding Hawaii, Puerto Rico, and the Virgin Islands.

Collectively, the whole United States, including those offshore areas, have received no increase since Cuba was excluded as a source of supply.

Senator KERR. All of the increase then has gone to foreign countries?

Mr. MYERS. It has gone to foreign countries, and the administration's proposals——

Senator KERR. Let us just wait. All of the increase has gone to foreign countries?

Mr. MYERS. That is correct.

Senator KERR. During any part of that time provision could have been——

Mr. MYERS. I beg your pardon, I apologize, Senator. I said all the increase. No, about 55 percent of the increases in the total market have been going to the domestic areas; I apologize. I should have pointed out that——

Senator KERR. I do not know why you should apologize for giving 55 percent of the increase to the United States. [Laughter.]

You do not need to apologize to me.

Mr. MYERS. I apologize for misinforming you, Senator.

Senator KERR. You do not need to apologize to this committee.

Mr. MYERS. I apologize for misinforming you.

Senator KERR. I see.

We both agree it was an apology, but I had misunderstood what you were apologizing. [Laughter.]

Senator GORE. Are you sure you misunderstood? [Laughter.]

Senator KERR. Mr. Chairman, I suggest the Senator is out of order under the rules of the Senate. [Laughter.]

Which remark was made as facetiously as was the suggestion. [Laughter.]

During this time the Department of Agriculture has had the authority to make it possible for the allocation of enough tonnage in this three-State area to justify a mill, have they not?

Mr. MYERS. Senator, there have been no areas of freedom of action in the Department of Agriculture.

Senator ANDERSON. Speak a little louder. I do not hear you.

Mr. MYERS. The Department of Agriculture has had no ability to transfer sugar quotas from foreign countries to domestic areas.

Senator KERR. Well, you said you had taken all restrictions off domestic areas.

Mr. MYERS. All acreage restrictions have come off of the mainland areas when they ran out of sugar because of the reallocation of deficits from offshore——

Senator KERR. Wasn't that because you were not getting it from foreign countries?

Mr. MYERS. No, sir. It was because we did not get all of the supplies that we should have gotten under the quotas from the offshore domestic areas, Puerto Rico, Hawaii——

Senator KERR. Well, none of the increase in domestic production resulted from the fact that the quota to Cuba was canceled.

Mr. MYERS. No, sir.

Senator KERR. All of that went to other foreign countries.

Mr. MYERS. All of that went to other foreign countries.

Senator KERR. But the Department of Agriculture did have the authority, you say, to take off all acreage restrictions domestically?

Mr. MYERS. We took off all acreage restrictions domestically when the supplies——

Senator KERR. But you took them off?

Mr. MYERS. We took them off when the supplies were——

Senator KERR. You had the authority to do that or you would not have done it.

Mr. MYERS. Senator, I think there may be a confusion——

Senator KERR. There undoubtedly is.

Mr. MYERS (continuing). Between two forms of restriction. There are two forms of restrictions in the sugar law.

One is a marketing and import restriction. Those are what we call quotas. The other is a production or acreage restriction. We imposed acreage restrictions only when stocks and production prospects are so large that a domestic area is likely to overflow its quota, its marketing quota, and bring on a depressed condition there from oversupplies.

Senator KERR. That is a very pontifical statement, but I do not believe it is in response to my question.

Mr. MYERS. Well, I am sorry.

Senator CURTIS. Will the distinguished Senator yield just briefly? I want Mr. Myers to define a term he has used, in response to your question.

Senator KERR. All right.

Senator CURTIS. The acreage or production quota is applied to the farmer, is that correct?

Mr. MYERS. That is correct, Senator Curtis.

Senator CURTIS. To whom is the marketing quota applied?

Mr. MYERS. Applied to the marketer or importer.

Senator CURTIS. In other words, the ability to refine sugar and market it is a right that, under the law, the Department of Agriculture grants to a particular sugar company.

Mr. MYERS. The ability to market, that is correct. Each of your beet processors has a quota allotted to him for marketing his sugar, and he cannot exceed that.

Senator CURTIS. I won't take any more time now.

Senator ANDERSON. Could I get just one question here?

Senator KERR. Yes.

Senator ANDERSON. You testified that none of the Cuban deficit came to a single domestic producer. Are you sure you can prove that?

Mr. MYERS. Oh, yes. I am quite sure I can do that, sir. There is a very minor element that I would, since you wish the detail I will go into it, even though it may be burdensome, but in the past we have——

Senator ANDERSON. But domestic production under the present legislation would have taken in about 2,100,000 tons, and you took in 2,700,000 tons of domestic producers of beets. Are you sure none of that was stuff that did not come in from Cuba?

Mr. MYERS. Oh, no, sir. That is sugar that was reallocated to the mainland areas from the offshore domestic areas.

Senator ANDERSON. What was the total quota of the offshore domestic areas?

Mr. MYERS. Last year, Senator—— Senator, my attention has been called to the fact that the details are in the House report. Last year we had a total requirement——

Senator KERR. Where is that in the House report?

Mr. MYERS. Page 15—no, this is 1960. It still is not right.

Senator ANDERSON. Wouldn't you take the sugar report from your own Department?

Mr. MYER. I need the January one.

Senator KERR. Don't you have a pamphlet issued by the Department of Agriculture entitled "Sugar Reports"?

Mr. MYERS. Yes, sir; we do.

I thought I had the January issue here which gives the last year's figures. For some reason I seem not to have it convenient.

Senator ANDERSON. Senator Kerr, if you would forgive me, while he is looking for that may I ask Mr. Murphy. Mr. Murphy, you would not fool Senator Kerr, for the world. Will you tell him whether or not in this new bill there is any provision whatever that would guarantee 1 acre of acreage to the area he spoke about or any other new grower in the United States? They have to have a sugar mill. The sugar people say they won't build a sugar mill unless they have guarantees. They do have restrictions, and you won't give them any allotment. Therefore, there is not one line in this bill that would give a 100-pound sack of sugar to the area that the Senator from Oklahoma mentioned, is there?

Mr. MURPHY. I do not understand that there is any provision in the bill that guarantees any sugarbeet acreage to any particular area.

Senator KERR. Well, then, is the answer to his question yes or no?

Mr. MURPHY. I take it the precise answer to the question in the form he asked it would be, "No."

Senator KERR. Are you allergic to a precise answer?

Mr. MURPHY. It seems to me that would not be fully informative, Senator.

Senator KERR. Well, you could, at least, give the precise answer and then if you wanted to make a speech on it, that would be something else. I would appreciate a precise answer.

That was the basic question I asked you, and you got me detoured here to this encyclopedia of knowledge and information, much of which is redundant to the question I asked him.

I appreciate the Senator from New Mexico bringing us back to the focal point.

Senator ANDERSON. The only one question I want to ask, I will say to the Senator from Oklahoma is this: If you wanted to protect these areas, you could do similar to what we did in Public Law 12 many long years ago, namely, if a man switched from cotton and grew war crops, you protected him with respect to a quota. When he emerged from those emergency crops, he went into cotton.

If you want to get sugar production in the United States, and did not want to go to the foreign sources, all you would have to do is to guarantee Senator Curtis and Senator Carlson and various other people, Senator Kerr and others——

Senator BENNETT. Don't leave me out.

Senator ANDERSON. You have more quota than anybody, but I will take you in because you have been very helpful in this.

Senator GORE. In what?

Senator ANDERSON. In trying to get some acreage for American producers instead of putting it all in India and Ceylon and elsewhere.

Senator KERR. Don't forget Mauritius.

Senator ANDERSON. Mauritius.

This is to guarantee that if a sugar mill was established on the basis of these deficits and quotas were given to domestic producers only as low as 50,000 tons, that you would then recognize the acreage they planted and give it history, whether it had it or not.

We gave history under Public Law 12, whether it had it or not. You could do it this time. But the Department is allergic to that, is it not?

Mr. MURPHY. I do not understand the question, Senator.

Senator ANDERSON. Well, all right.

Senator KERR. Is there anybody in the Department who can?

Senator ANDERSON. Mr. Bagwell remembers it very well.

Mr. BAGWELL. I remember Public Law 12.

Senator ANDERSON. You surely do.

Mr. BAGWELL. There is nothing in the bill that would assure acreage to any particular new area.

Senator ANDERSON. But by guaranteeing if a man planted—if a sugar mill is established, and a man planted—in order to make possible a supply for that sugar mill, he could acquire history, like Billie Sol Estes acquired history for his cotton down there, he acquired history, he then would be in position to keep that sugar mill going and make his investment.

As it is, no sugar mill will be built. There is no point in talking about it. We have had many people in this area, in the California

area, Red River area, Nebraska, everybody else talking about mills. But they won't build unless they have some guarantees.

Mr. BAGWELL. I think the Secretary of Agriculture has the authority under this bill to guarantee up to an acreage that will produce 50,000 tons of sugar for any given area.

Senator ANDERSON. If there are restrictions.

Mr. BAGWELL. Well, of course, if there are no restrictions, anybody can plant any acreage.

Senator ANDERSON. Yes. But if they plant when there are no restrictions and then restrictions go on, they do not have any history, so they would be out. You would acknowledge that, wouldn't you?

Mr. BAGWELL. That is generally true; yes, sir.

Senator ANDERSON. That is what the trouble is, isn't it?

Mr. BAGWELL. Yes.

Senator ANDERSON. You do not have a guarantee of any kind or any description to an American grower. But if you take the House bill and put in the House guarantees to all these new countries, they have got some history, haven't they?

Mr. BAGWELL. They have got some quota.

Senator ANDERSON. Well, call it whatever you wish. They have got a pretty good history, and that is what I thought the Senator from Oklahoma was trying to get at.

Is there some way that you can guarantee any of this domestic increase to those areas now seeking a sugar mill? The Senator from Nebraska has talked to me many times. He has some established quota in his area, established growers. New growers would like to establish some acreage. Why can't we find a method by which eventually some sugar mill can come in, and guarantee for those acres, which is the point of the Senator from Nebraska, and the point of the Senator from Oklahoma.

I apologize, Senator.

Senator KERR. I appreciate it, and I would now like to have an answer to the question.

Mr. MURPHY. We would be glad to have guidance from the committee, and we will be glad to work with you and Senator Anderson and the committee to try to arrive at a proposal that will accomplish what you want to accomplish.

Senator KERR. Apparently 700,000 additional tons went to the mainland areas last year, or were produced by the mainland areas. Is that disclosed in that tabulation of facts?

Mr. MYERS. Senator, yes. We have had that type of production increase in beets and mainland cane, yes; that is correct.

Senator KERR. Yet there has not been a guarantee by the Department of Agriculture made available to a single new mill in a single new area, has there?

Mr. MYERS. No, Senator. We——

Senator KERR. All right, just stop right there.

Mr. MYERS. That is right.

Senator KERR. That is fine. That is a definite answer, and I congratulate and thank you.

Now, did the Secretary say that he would be willing for a provision to be made in this bill by which the Secretary would inaugurate a program that would result in such guarantees to such areas, those of

limited production but no mill, and those of no production because of no mill?

Mr. MURPHY. If I understand the proposal now, Senator, and I believe I do, it seems to me it would be highly desirable to do what you and Senator Anderson have indicated.

It seems to me quite clear that no one is going to build a sugar mill relying on production from acreage when the right to produce might be taken away all of a sudden.

Senator KERR. The disappointment of the Senator from Oklahoma is and stems from the fact that he believes the Secretary has had the authority and has not, under the law we now have, but that it has not, been used.

Senator ANDERSON. I think, in fairness to the current Secretary of Agriculture, I do not believe he had the right to give history. He had the right to let the mill do the production, but he could not protect the history of the acreage. The Senator from Oklahoma indicated that the Department of Agriculture might be willing to let them acquire history if a mill were built in order that they might have a guarantee to supply it.

I think that is the most interesting reply we have had and the most favorable reply we have had for a long time, and I thank the Under Secretary for it.

Mr. BAGWELL. Senator, as the Sugar Act exists now, the Secretary of Agriculture is authorized to take the total quota for the area and divide it among sugar processors. But it has to be done in part on the basis of history of marketing of sugar, by the bill.

Senator KERR. Not entirely.

Mr. BAGWELL. Not entirely. I say, in part.

Senator KERR. And in indicating that process or—and I yield to the superior knowledge of the Senator from New Mexico—but I had thought the Secretary, in granting him that permit or authority or privilege, whatever it is, to the processor, he could have included a contingency that the mill be built at a different area than where they now are.

Senator ANDERSON. That is right. I think that is right. I know he had no authority to give them history. He failed to have the right to give them history.

Senator KERR. He could have gotten the mill built.

Senator ANDERSON. I think he might. I learned a long time ago to take Mr. Bagwell's comments and advice when I was in the Department, along with other good lawyers. But I do think the point the Senator from Oklahoma has made if they can get this history, then a mill could be built, and it would be an important contribution, that made by Mr. Murphy.

Senator KERR. And the bill, whatever legislation we passed, would be adequate if we had a provision in it that would authorize to give him the history simultaneously with the permit to process.

Mr. BAGWELL. Senator, I think the people who are investing their money in a new mill would want more assurance than we could give them under the present law.

Senator KERR. How difficult would it be to provide an amendment that would give them that which would be adequate?

Mr. BAGWELL. Not difficult at all.

Senator KERR. Would you prepare such an amendment?

Mr. BAGWELL. I certainly will.

(The following was later received for the record:)

SEC. 5. Section 205(a) of such Act is amended (1) by inserting in the second sentence thereof immediately following the words "sugarbeets or sugarcane" the language ", limited in any year when proportionate shares were in effect to processings", and (2) by inserting after the second sentence thereof the following sentence:

"The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation."

At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committeed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

Senator KERR. Thank you very much. The administration would be agreeable to such an amendment for the stated purpose and, if granted, would follow through on the procedure outlined, is that correct?

Mr. MURPHY. Yes, sir. It seems to me entirely reasonable if you are going to propose to build a new mill you ought to create conditions that make it possible for it to be done.

Senator KERR. That is a general answer to the question I was trying to ask. Do you knew where Mauritius is?

Mr. MURPHY. I do not, sir.

Mr. BAGWELL. Senator, I would like to go back to your question to the mill.

You understand under the bill the Secretary would have authority only to allot an acreage of beets that would produce 50,000 tons of sugar. A mill exists only if it has farmers producing beets near it.

Senator KERR. Sure, I understand.

Mr. BAGWELL. We would not be able to allot more than an acreage equal to 50,000 tons in any one year, which would mean about one mill a year.

Senator KERR. You mean under existing law?

Mr. BAGWELL. Under this bill.

Senator KERR. Then instead of, let's say, giving 900 percent increase to Mauritius which so far as I know nobody knows where it is——

Senator BENNETT. May I take a disclaimer on that?

Senator KERR. I want to make an exception. The Senator from Utah is exceptionally well informed.

Senator BENNETT. I looked it up yesterday. [Laughter.]

Senator KERR. While it is fresh in your mind would you share your knowledge with us?

Senator BENNETT. It is several hundred miles east of Madagascar in the Indian Ocean.

Senator KERR. Longitudinally and latitudinally where is Madagascar?

Senator BENNETT. Madagascar is off the east coast of Africa toward the southern tip, and this is east of Madagascar, about 300 miles, as I remember it, it could be five.

Senator KERR. You know where Oklahoma is, don't you, Mr. Secretary?

Mr. MURPHY. Yes, sir.

Senator KERR. And New Mexico and Texas?

Mr. MURPHY. Yes.

Senator KERR. You see, this increase of Mauritius would take care of two mills, and so it will be very easy to amend the law so that the Secretary could make provisions for more than one mill in the area, wouldn't it?

Mr. BAGWELL. I am sure it could.

Senator BENNETT. Would the Senator yield again?

Senator KERR. Just one more question and I will be through. How many additional mills would we have to authorize before this tristate area would get one?

Mr. BAGWELL. Senator, frankly, I do not know. The Secretary is given discretion, and he would have to pick and choose. I am afraid I wouldn't be in position to answer it.

Senator KERR. Somebody is going to answer that question. Somebody is going to answer that question. Who can answer it?

Mr. MURPHY. I don't believe that we can answer it, Senator, at this stage.

Senator KERR. This is getting pretty late.

Mr. MURPHY. The legislation provides, contemplates, that different areas that are interested will have an opportunity to make their in-

terest known. This probably will be a hearing and the Secretary will have the somewhat doubtful privilege of choosing between them.

Senator KERR. Well——

Mr. MURPHY. And I think he could not say until he had heard the evidence and claims of the presentation of all of them which one he would choose.

Senator KERR. Well, assuming we are going to fix it maybe so he can choose more than one, and the question was how many would we have to provide for before one could be provided or granted in the area referred to.

Mr. MURPHY. This question I cannot answer.

Senator CARLSON. Will the Senator from Oklahoma yield?

Senator KERR. How long would it take you to get that answer?

Mr. MURPHY. I would have to have a conference, Senator, with my colleagues, and I am not certain.

Senator KERR. The Senator from Oklahoma is just one member of this committee, but it is his hope that this bill doesn't come out of this committee until that information is furnished.

Mr. BAGWELL. Senator, it seems to me if the Secretary were faced with the decision in 1963, for example, between area A and area B, and the mill in area A was much further along and would be ready to put into operation in 1963, whereas the mill in area B would not be, I think the choice would be rather simple.

But if they were equally advanced in structure and ready for completion of operation, why, that is different.

Senator KERR. I understand there are about three areas vitally interested.

Mr. BAGWELL. At least that.

Senator KERR. And I see no reason why, when we are contemplating giving the Dominican Republic, for instance, an additional quota sufficient for three mills, and Brazil, which is engaged in the process of taking property away from American nationals who are down there, without any kind of compensation, enough for three additional domestic mills, and—did you say Mauritius was close to South Africa?

Senator BENNETT. Yes.

Senator KERR. South Africa is in here also for two additional, and Mauritius for two additional. Now the fine gentleman on the staff here has just given me this note.

Mauritius is a small island off the southern tip of Africa, 725 square miles, with a population of about one-half million.

Senator SMATHERS. Is Mauritius recommended by the House or by the administration?

Senator KERR. It is in the House bill, but I want to say this, the House bill does have this merit, it is specific about where these benefits are going. [Laughter.]

Senator SMATHERS. I just wondered if it was Secretary Murphy who recommended Mauritius.

Mr. MURPHY. The quota is not recommended by the administration, the allocation is not recommended by the administration.

Senator KERR. Is there an allocation recommended by the Secretary for Oklahoma, Texas, and New Mexico?

Mr. MURPHY. Not as such; no, sir.

Senator KERR. Well, as such or in any other way?

Mr. MURPHY. He has recommended this 50,000 tons a year which would be available for one new mill each year in the United States. I do not see how the Secretary could very well say where this mill would be built until he knew the areas which would be interested, which would make a claim for it, and had heard the story from each of them.

Senator KERR. I want to say this, Mr. Secretary, the Secretary or somebody down there has not been without information of the interest in these various areas. This is not the first time this matter has been brought to the attention of the Department of Agriculture.

Senator MORTON. Will the Senator yield?

Senator KERR. I believe the gentleman there wants to say something.

Mr. MYERS. Senator, you are quite right, this is not new to the Department of Agriculture. We have known of this demand for acreage for some years. It has been growing, getting progressively stronger. The old law under which we have operated and will continue to operate until June 30 of this year——

Senator KERR. That is not very long.

Mr. MYERS. It is not very long. It requires that when we give out acreage we can do so on only two conditions: past production and ability to produce and ability—we have had to use a demonstrated ability because the rest of it is too intangible.

Senator KERR. And process.

Mr. MYERS. Now this is the first time that we have ever had even a suggestion of an ability to disregard the history——

Senator KERR. You mean the authority?

Mr. MYERS. I beg your pardon. Have the authority to disregard past history and say, "All right; here is a new area."

Now, one reason we are so anxious to have guidelines from the Congress on this, we know of a great many areas that are anxious to build mills. Arizona, your tristate area, Senator Curtis' area in Nebraska, the Red River Valley, even the Wabash Valley. They have a Wabash Valley Beet Growers Association. They have never produced beets there, but they have it, to get in a sugar mill.

Ohio, New York State has at least one, if not two; there is some talk about Maine wanting to get into the act. Missouri I forgot—they want to. They have been carrying on experiments for several years to determine the feasibility of growing sugarbeets.

Then, of course, there are many areas out in the Mountain States and Western States, Pacific Northwest in particular, that have wanted additional mills.

Senator KERR. In spite of all of this information, in spite of all this interest, in spite of all this need expressed by the representatives of these areas, the Department of Agriculture has never come before this committee with a single suggestion as to formulating a program to permit that to be brought about.

Mr. MYERS. Heretofore we have had to, when we had restrictions in effect at all—had to hold back the old growers, and there was a good deal of argument against having the old growers cut back further for the benefit of the new growers.

Senator KERR. I am not talking about the old growers. I am talking about taking the growth; I am talking about taking the——

Mr. MYERS. Even with growth, they have not until recently been able to produce at a full capacity for the old growers.

Senator ANDERSON. Mr. Chairman, I think he ought to put in the record at this point what the old growers have been doing. It is a substantial growth. It runs from something like a million and a half tons to up to over 2 million tons, and this year 2,700,000 tons. The old growers have not had difficulty, not a bit, and Mr. Myers knows it.

How many years have you held them back?

Mr. MYERS. We started holding them back in 1955, Senator, 1955, 1956, 1957, 1958, and 1959.

Senator ANDERSON. Has there been no growth? If the Senator will excuse me.

Senator KERR. I appreciate the help of the Senator from New Mexico. As I say, he has more knowledge on it than I do.

Senator ANDERSON. No; but I did participate in the writing of an act in 1948, and I think everybody who knows anything about it would concede because of what Cuba had done for this country, in selling its crops we tried to protect Cuba to the fullest.

Mr. MYERS. That is right.

Senator ANDERSON. But that obligation ceases when a different type of government comes into Cuba and I have been trying hard ever since to see to it that some of this comes over to the United States and that is why I was shocked at your testimony of the Cuban production has gotten here. Look at the increase in production there has been this 1 year, according to the sugar reports for February. I am not going to try to find it again, but a very substantial increase.

In the House report on page 2, I guess it is, it lists domestic beet sugar present legislation 2,110,000; H.R. 12154, 2,650,000.

Now, isn't the production this year going to be about 2,700,000?

Mr. MYERS. Probably so.

Senator ANDERSON. So under the House bill you would have to cut back the domestic produced a little bit.

Mr. MYERS. Well, actually no, Senator, because our stocks of beet sugar are below good working levels, so they need to be built up again.

Senator ANDERSON. Well, 2,700,000 is more than 2,650,000, isn't it?

Mr. MYERS. It is more than that.

Senator ANDERSON. We have that established.

Mr. MYERS. But we need to have a lot bigger stocks than we have.

Senator ANDERSON. Yes; I grant that, but what I am trying to say is that the domestic grower who only a few years ago was producing a million—1,300,000 and 1,400,000 tons gets up to 2,700,000 tons, his throat hasn't been completely cut, has it?

Mr. MYERS. Oh, no; it is—it has not been cut.

Senator ANDERSON. I don't want it to be. I am glad to see the production come in, but every time——

Mr. MYERS. But the point I was trying to make, Senator Anderson, is that we are now at the point where you have substantially full production for the existing factory capacity.

Senator ANDERSON. I want to say the only reason I mentioned a moment ago—mention was made about Arizona—Arizona is very happy, I think, growing sugarbeet seed. It is a very profitable crop and they grow a tremendous lot of it.

If this, the Senator from Oklahoma mentioned, would be opened up, Arizona would have a new immediate market for a very fine crop of sugarbeet seed. The area in California near Fresno is a very desirable location for sugarbeet.

There is an area up in Washington-Oregon, I think you would concede, which is a very fine prospect for sugarbeet. There is one in the Red River Valley in North Dakota. There is one in Senator Curtis' State of Nebraska.

There are areas in the State of the Senator from Kansas, Mr. Carlson, which he has been trying to help steadily in this committee, but every time we run up against a stone wall; and I say very frankly to the Senator from Oklahoma and to the representatives of the Department this is the first time I have heard from them an expression that they might like to do something that might help in conferring history, and I think there is something to it.

Mr. MYERS. And I think the statement made by the Senator from Oklahoma and the Secretary of Agriculture is the best statement we have had in a very, very long time, and it is a very useful statement.

Senator KERR. I want to make one correction here. I had thought that Mauritius was getting only a thousand percent increase. But I now am advised that the 10,000 tons basic quota for this 4½-year period is the first time Mauritius has ever had a quota.

Senator ANDERSON. Especially as they have a representative here this morning.

Senator KERR. So they are given a basic quota and a temporary quota totaling 110,000 tons to an area 720 square miles with a population of about half a million.

Senator MORTON. Would the Senator yield at this point?

Senator KERR. Yes.

Senator MORTON. I agree on this Mauritius business. I don't know anything about it, but I do want to straighten out one point. You were talking about these various countries and you indicated that Peru's quota would provide for three sugar mills and Brazil's for three sugar mills.

Senator KERR. No; I said that amount of sugar would be enough to provide three domestic mills.

Senator MORTON. Yes; I understand. But remember what you are talking about is the division of the million and a half Cuban quota—not basic quota.

Senator CURTIS. Some of it is.

Senator MORTON. Not the 150,000 additional for Brazil.

Senator CURTIS. Brazil has no basic quota now, and they would get a basic quota of 193,620 tons in addition to allocation of 152,928, or a total of 346,548 tons.

Senator MORTON. Yes; but, Senator, I just wanted to get the discussion straight. I was referring to the remarks by the Senator from Oklahoma who was using the division of the Cuban quota as his illustration. I merely wanted to point that out.

I think this Cuban quota, however it is divided up, must be in some amount preserved. We all hope that Cuba will throw off Castro and when that does happen we all recognize that for the Cuban economy to survive under freedom they must have a fair share of the U.S. sugar market.

Senator KERR. All right.

Let's go back to that staff memorandum on proposed quotas I gave you there. Let's just go down that list.

The first is Cuba, 1,500,000 tons, which is allocated under the House bill to other areas on a temporary basis.

Senator MORTON. Yes.
Senator KERR. Philippines, 1,050,000 tons.
What has that been?
Mr. MURPHY. Something over 900,000.
Mr. BAGWELL. 980,000.
Senator KERR. That is a 70,000-ton increase.
Senator ANDERSON. Why don't he tell what the Philippines got the last time?
Senator MORTON. We are dealing with a treaty.
Senator KERR. Peru, 200,000 tons.
What do they have?
Mr. MYERS. 108,000.
Senator KERR. Dominican Republic, 200,000 tons.
What did they have?
Mr. MYERS. 96,000 tons.
Senator KERR. Mexico, 200,000 tons.
Mr. MYERS. 80,000.
Senator KERR. Brazil, 190,000 tons.
What did they have?
Mr. MYERS. Zero.
Senator KERR. British West Indies, 100,000.
What did they have?
Mr. MYERS. Zero.
Senator ANDERSON. Could I ask whether that is going to be produced in the British West Indies? I have been down there and I thought—not too recently—and I thought they had sort of abandoned their sugar production. I saw the sugar mills out of production; they weren't working any more. Where will this be grown? In which island?
Mr. MYERS. Senator, they produced on quite a few of the islands. Jamaica is, of course, the biggest one.
Senator ANDERSON. Jamaica is part of the British West Indies and it is going to produce this.
Mr. MYERS. Well, it is one of the producers, Senator.
Senator MORTON. Trinidad——
Mr. MYERS. And also British Guiana is treated as a part of that.
Senator SMATHERS. What did you say? I didn't hear that.
Mr. MYERS. Jamaica, Trinidad, Barbados, British Guiana, and some of the smaller islands. The figures I happen to remember, Senator Anderson, in round figures: British Guiana has been exporting about 350,000 tons and the rest of the British West Indies about 850,000—all of it going, of course, to the British, the United Kingdom.
Senator ANDERSON. Most of it goes to the British?
Mr. MYERS. Substantially all of it; a little of it to Canada.
Senator KERR. But they have had no quota.
Mr. MYERS. No U.S. quota.
Senator KERR. Australia, 50,000 tons.
Mr. MYERS. And they had no U.S. quota.
Senator KERR. French West Indies, 40,000.
Mr. MYERS. Zero.
Senator KERR. Costa Rica, 30,000.
Mr. MYERS. Costa Rica had 2,000 tons.
Senator KERR. Nicaragua, 30,000.

Mr. MYERS. They had 15,000.
Senator ANDERSON. How many?
Mr. MYERS. 15,000 tons.
Senator KERR. Republic of China, 45,000.
Mr. MYERS. They had about, I beg your pardon, I said for Costa Rica, I should have said about 3,500, approximately 4,000. And substantially 4,000 for the Republic of China.
Senator KERR. 4,000 up to 45,000 that is what it is, isn't it?
Mr. MYERS. That is right.
Senator KERR. Ecuador, 30,000.
Mr. MYERS. They have had none.
Senator SMATHERS. What?
Mr. MYERS. Zero.
Senator KERR. Colombia, 35,000.
Mr. MYERS. Zero.
Senator KERR. Haiti, 25,000.
Mr. MYERS. Haiti had about 7,000, a little more.
Senator KERR. Guatemala, 20,000.
Mr. MYERS. Zero.
Senator KERR. Argentina, 20,000.
Mr. MYERS. Zero.
Senator KERR. India, 30,000 tons.
Mr. MYERS. Zero.
Senator KERR. South Africa, 20,000.
Mr. MYERS. Zero.
Senator KERR. Panama, 15,000.
Mr. MYERS. Panama had just under 4,000.
Senator KERR. El Salvador, 10,000.
Mr. MYERS. Zero.
Senator KERR. Paraguay, 10,000.
Mr. MYERS. Zero.
Senator KERR. British Honduras, 10,000.
Mr. MYER. Zero.
Senator KERR. Fiji Islands, 10,000.
Mr. MYERS. Zero.
Senator KERR. Netherlands, 10,000.
Mr. MYER. The Netherlands had 4,000.
Senator KERR. Mauritius?
Mr. MYER. Zero.
Senator CURTIS. Would the Senator yield very briefly right there?
Senator KERR. I would just like to ask one question and then I will.
Senator CURTIS. I made a tabulation of the figures here.
Senator KERR. All right.
Senator CURTIS. Countries that had no basic quota under existing law have been assigned under the House bill a basic quota of an amount of sugar equivalent to provide for around 19 or 20 plants in the United States.
Senator ANDERSON. That is right.
Senator MORTON. Would you yield?
May I straighten this thing out because you are talking now about the basic increase, as differentiated between the assignment of the Cuban quota. I think the committe should bear this in mind, whatever its final conclusions are, because in your original presentation I

was afraid you were getting us off on the distribution of the Cuban quota.

Now, you are on the track, because——

Senator KERR. I want to tell you that this is not a monorail I am trying to travel on.

Senator MORTON. I want to get on the same train with you, you see.

Senator KERR. Good.

Senator MORTON. You were starting down a dead end switch on the Cuban quota and I couldn't get on that track with you, but I might be able to get on this one.

Senator KERR. Fine.

Here is what I would like to ask you, Mr. Murphy.

Doesn't every ton of this sugar that is bought from these countries have to be paid for in dollars that are convertible into gold?

Mr. MURPHY. Yes, sir.

Senator KERR. So that we are talking about here on the one hand of a million tons of basic quota approximately, a million and a half tons reassignment of Cuban quota or 2½ million tons a year of imports of sugar that have to be paid for in dollars that are convertible into gold, correct?

Mr. MURPHY. That is correct. That is not——

Senator KERR. How much does it, what do they get a ton under that bill?

Mr. MURPHY. Under the House bill they would get approximately $100 a ton, wouldn't they? $110 a ton?

Senator KERR. That is 250 million tons at $110 a ton. Mr. Bagwell is shaking his head.

Mr. BAGWELL. Not 250 million.

Senator KERR. Two and a half million.

Mr. MURPHY. Two and a half million.

Senator KERR. At a hundred and how much a ton?

Mr. MURPHY. $110.

Senator DOUGLAS. $275 million.

Senator KERR. That is $275 million drain on our gold, is it not?

Mr. MURPHY. That is not the total amount of imported sugar.

Senator KERR. I understand, but that is the total amount of new basic quota and reallocated Cuban quota.

Mr. MURPHY. I think that is substantially correct. I think it is actually a little more than that.

I think there are a million eighty-five thousand plus a million and a half tons.

Senator KERR. A million eighty-five thousand tons, plus a million and a half tons.

Mr. MURPHY. So I think it is 2,585,000.

Senator KERR. 2,585,000 tons at $110 a ton is nearly $300 million of drain on our gold reserves, isn't it?

Mr. MURPHY. Yes, sir.

Senator KERR. Now, every ton of that that could be produced domestically would reduce the drain on our gold reserves by that amount, wouldn't it?

Mr. MURPHY. That is correct; yes, sir.

Senator KERR. What is your recommendation on that?

Mr. MURPHY. Our recommendation is that the same total amount of sugar be imported. It is not our recommendation that it be allocated in quotas in this fashion. Our recommendation is that the sugar be imported, in effect, at the world price, and in that case, the cost would be approximately half as much and the drain on our gold reserve would be reduced by about 50 percent.

Senator DOUGLAS. Would the Senator yield at this point?

Senator KERR. Yes.

Senator DOUGLAS. Do I understand the world price now is approximately 2½ cents a pound?

Mr. MURPHY. Approximately 2½. Mr. Myers can be more precise about this.

Senator DOUGLAS. And the domestic price laid down at seaboard including duty and freight is approximately 6.3 cents a pound?

Mr. MYERS. Yes, Senator, prices have gone up a little bit since you got your figures apparently. The world price is now approximately $2.60 to $2.70 a hundred pounds, and the domestic price about 6.4 to 6.5, those are in round figures.

Senator DOUGLAS. Yes.

Now, the duty and freight would amount to about 1 cent.

Mr. MYERS. Approximately.

Senator DOUGLAS. So that——

Mr. MYERS. A little bit less than that.

Senator DOUGLAS. So the price plus duty and freight laid down at Seaboard—the price rather would be 5.5?

Mr. MYERS. Approximately.

Senator DOUGLAS. And the world price would be 2.7?

Mr. MYERS. That is right.

Senator DOUGLAS. Or a subsidy of 2.8 cents per pound.

Mr. MYERS. That is correct.

Senator DOUGLAS. Or a subsidy of $56 a ton.

Mr. MYERS. That is correct.

Senator DOUGLAS. And this on 3.9 million tons of sugar imported comes to a total of $218 million?

Mr. MYERS. That sounds correct.

Senator DOUGLAS. And excluding the Philippines, a subsidy of $162 million?

Mr. MYERS. That sounds correct.

Senator DOUGLAS. Paid by American consumers. I won't say anything about the subsidy to the domestic producers, but that comes to——

Senator KERR. You are beginning to build up a little support. I would hate for you to lose it. [Laughter.]

Senator DOUGLAS. So it can be said that the subsidies to the producers—domestic producers is $332 million.

Does the administration propose to reduce the subsidy to domestic producers?

Mr. MURPHY. No, sir.

Senator DOUGLAS. In fact, you increased the amount allotted to domestic producers by about 650,000 tons, did you not?

Mr. MURPHY. That is correct.

Senator DOUGLAS. Or an added subsidy to domestic producers of $40 million approximately?

Mr. MURPHY. I am not sure we would use the term "subsidy," Senator.

Senator DOUGLAS. Well, subsidy paid by consumers in excess of what the world price would be.

Mr. MURPHY. The price, the premium price, is higher than the world price would be and the quotas for domestic producers under that would——

Senator DOUGLAS. Would come to $40 million, isn't that true?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. Now, may I ask in the case of Peru, which has a 200,000 basic plus 150,000 temporary, that is 350,000 tons, at $56 a ton, according to my figures that comes to a subsidy paid by consumers of $19,600,000. Is that approximately right?

Mr. MURPHY. I haven't done the arithmetic, Senator. But I think it is.

Senator DOUGLAS. Who owns the mills and who owns the acreage in Peru?

Mr. MURPHY. I do not know, sir.

Senator DOUGLAS. You do not know.

May I ask if that is correct that the W. R. Grace Co. owns 18 percent of the acres and 21 percent of the milling capacity. Mr. Myers, could you inform me?

Mr. MYERS. I would not want to speak authoritatively on that subject, Senator, but from all I have read those figures would sound correct.

Senator DOUGLAS. I may say we have collected these figures and believe them to be correct and I will ask at an appropriate time they be inserted in the record.

Now, is it true that the Nepena Co. which is American controlled has 5 percent of the acreage and 5 percent of the milling capacity?

Mr. MYERS. Frankly, Senator, I do not know that.

(A letter from W. R. Grace & Co., which Senator Douglas received subsequent to this discussion, appears on p. 61.)

Senator DOUGLAS. Is it true there is a German family which has even larger holdings than the W. R. Grace Co.?

Mr. MYERS. I know of the name you referred to as a German or French name; I am sure it is an old Peruvian family.

Senator DOUGLAS. But they have even larger holdings than Grace.

Mr. MYERS. I think so, yes.

Senator DOUGLAS. Has not in the past this reallocation of the Cuban sugar given a windfall of around $150 million a year or total windfall of $300 million to a relatively small number of foreign producers?

Mr. MYERS. Yes, Senator, that is correct.

Senator DOUGLAS. The answer is "Yes."

Mr. MYERS. The answer is "Yes." In some cases, I should in fairness say or completeness, say, that in some cases a portion of that windfall has been drawn off by the countries for tax purposes and in some cases it has been divided to some extent with labor.

Senator DOUGLAS. But most of it—but not necessarily all of it—has stayed in the pockets of a relatively small group who own the majority of the acreage and control the sugar mills, isn't that true?

Mr. MYERS. I think that that would be a fair statement collectively.

Senator DOUGLAS. Mr. Chairman, I hope that we do not pass this bill

out. If the bill is passed by Congress, I hope the President vetoes it.

Senator KERR. Now, then, I thank the Senator——

Senator DOUGLAS. I hope we do not pass the House bill.

Senator KERR. I thank the Senator for his contribution.

I would like to finish the question.

Senator DOUGLAS. I thought since the Senator had taken an hour and a quarter he would not object if one—if someone else asked questions.

Senator KERR. I would say that is a very gracious expression of gratitude for my yielding to the Senator. [Laughter.]

Senator ANDERSON. Would the Senator from Oklahoma permit one observation?

I would only say, Mr. Myers, I think you and I might agree that the elimination of all these so-called tariffs might change the world price some. I think I had some experience in the Department which persuaded me when you remove those restrictions and, therefore, throw a lot of surplus on the world market, and permit them to mix, the price goes up slowly. You couldn't guarantee the world price would stay down if there was wide-open competition from the American market.

Mr. MYERS. I think that is a very worthwhile characterization of the situation, Senator, and also it is implicit in the administration's recommendations, because we would not feel that the purchase of our sugar on the world market would have an effect other than a buoyant effect on the world market.

Senator ANDERSON. I only wanted to suggest, Senator Douglas, he explain what bill he referred to because I believe he supports the administration bill and I know I do and I thought his remarks——

Senator DOUGLAS. I may say I am leading up to the identical proposal which I made in committee last year, which was passed out by this committee by a unanimous vote.

I regret to say at that time the State Department opposed it, and they beat us on the floor and continued the present practice which has resulted in building up vested interests and making enormous profits for a relative few. I am glad that the State Department has reversed itself now and I hope we can march together on a program which will take away this unconscionable subsidy to a relatively few foreign producers and put the money into the U.S. Treasury where it can be used for the benefit of the American taxpayers.

Senator ANDERSON. I only add to that I supported Senator Douglas then. I thought it it was a good amendment, then, and I think it is a good amendment now, and I think it is in the Senate bill.

I only want to say to the Senator from Oklahoma if he will excuse me only 1 second, that in the Senate bill there are a great many Members of the Senate sponsors including Senator Bennett of Utah, Senator Smathers of Florida, Senator Long of Louisiana, the Senator from Georgia, Mr. Talmadge, and others, and therefore, I am happy to have the Department testify that this is the bill which it prefers and which it would support.

Mr. MURPHY. Thank you.

Senator GORE. Senator Kerr, since you are of such a liberal yielding mind, would you yield to me for one question?

Senator KERR. If I do so will it be followed by reference concerning the amount of time which I, and those to whom I have yielded have consumed? [Laughter.]

Senator GORE. I would prefer not to commit myself, but if that is a condition for yielding, I will promise.

Senator KERR. Very good. I will yield.

Senator GORE. Mr. Secretary, this is a subject to which I have not devoted very much study. My colleagues have about convinced me that the American people would be better off with no sugar bill than the bill passed by the House, and they have about convinced me that the American people would be better off without passage of any sugar bill at all.

Will you answer those two questions?

Mr. MURPHY. Yes, sir.

We certainly would not agree that the American people would be better off with no sugar bill at all. We believe that the Sugar Act, as it works with respect to domestic producers and its general effect on American consumers, is good.

If the choice were between the House bill and no bill at all, it would be an extremely difficult choice. I would hope we never have to face it. I hope that the administration is not confronted with that choice.

Senator GORE. I thank the Senator from Oklahoma, and now I shall listen with rapt attention as he proceeds in his very timely interrogation.

Senator KERR. Well, there are two questions I want to ask and then I want to yield to the Senator from Louisiana.

No. 1, assuming that the price paid for sugar includes the subsidy to whoever furnishes it for the sake of this question. To the extent that the subsidy goes to domestic producers it does not constitute a drain on our gold, does it?

Mr. MURPHY. That is correct.

Senator KERR. And that is a most significant difference at the present time under present circumstances?

Mr. MURPHY. It is; yes, sir.

Senator KERR. Assuming that the price domestically includes a bonus or a subsidy, it is not given to a limited few, but to hundreds of thousands of American farmers who make their living and support their families and make their contributions to this economy here at home.

Mr. MURPHY. It is a considerable number of American farmers, Senator. I don't believe the number is that large.

Senator KERR. Whatever it is, it is a widely separated——

Mr. MURPHY. That is true.

Senator KERR (continuing). Large group?

Mr. MURPHY. That is true, and spread over a large part of the United States.

Senator KERR. And there is no identity of ownership between the processor and the producer?

Mr. MURPHY. There frequently is, I believe.

Senator KERR. But substantially that is true?

Mr. MURPHY. In the case of beets, I understand the general pattern in the case of beets that producers and processors are different.

Senator KERR. Are different?

Mr. MURPHY. Are different entities, that is my understanding.

Senator KERR. And if it is a subsidy it goes to the producer, the farmer?

Mr. MURPHY. That is true.

Senator KERR. I want to thank you very much, and I appreciate the answers that you have given.

I yield to the Senator from Louisiana.

Senator LONG. I would just like to say, Mr. Secretary, that insofar as Louisiana is concerned, we don't have one or two large producers. We have a great number of cane producers and a lot of people working in those fields. I am happy to say that is due in considerable measure to the pressure of your assistant, Mr. Myers.

We have greatly improved our methods and we are producing about 50 percent more sugar than we did 20 years ago with about half the labor. But costs have gone up and it is very important to us that our producers, especially those who sell raw cane sugar, be able to get a price sufficient so that they can exist.

I want to personally thank you and Mr. Myers and those who are connected with your staff. You have attempted to administer this act in such a way that those people could exist.

Would you mind just indicating what would be the problem with respect to our people who have historically been in the sugarcane business in the event that we do authorize a number of additional mills?

I am sure I might be importuned by my own people about it and like the Senator from Oklahoma, I am against any combine that I "ain't" in on.

Also, could this be worked out in such a way that we would be assured that the present producers would not be prejudiced if, say, Cuba became a democratic nation?

Mr. MURPHY. I think it is worked that way in the Senate bill at the present time, Senator, so far as the Louisiana cane producers are concerned.

Senator LONG. If we amend it in the fashion being suggested by the Senators from Oklahoma and Arizona, could that amendment be worked out in such a fashion that in the future the existing producers would not be prejudiced by bringing in this new production?

Mr. MURPHY. As I understand it, the amendment that would grant history to producers that would sustain a new beet sugar bill would have no adverse effect on the Louisiana cane producers at all.

Senator LONG. I usually like to vote for the other fellow's State provided it doesn't hurt mine, but I just wanted to be sure it could be worked out in such a fashion that it would not hurt the existing producers.

Senator KERR. I would like to have you put in the record with reference to these new basic quotas and the new distribution of the Cuban quota temporarily, how many tons of it would go to countries outside of this hemisphere.

Mr. MURPHY. We will be glad to do that, sir.

Senator KERR. I think you will find it is a very substantial amount, and it would seem to me that one of the basic objections to the allocations contained in the House bill, is that so large a part of it, well, that all of it goes to foreign countries and that so large a part of it goes to foreign countries not even in this hemisphere and I would be glad if you would put that into the record.

Mr. MURPHY. We will be glad to supply it.

Senator KERR. Thank you very much, Mr. Chairman.

(The document referred to follows:)

Sugar quotas and allocations of the quota for Cuba provided by H.R. 12154 for foreign countries located outside the Western Hemisphere, at total sugar requirements level of 9,700,000 tons

[Short tons, raw value]

Country	Quota	Reallocation of Cuban quota	Total
Republic of the Pbilippines	1,050,000	150,000	1,200,000
Australia	50,000	150,000	200,000
Republic of China	45,000	150,000	195,000
India	30,000	100,000	130,000
South Africa	20,000	100,000	120,000
Fiji Islands	10,000		10,000
Netherlands	10,000		10,000
Mauritius	10,000	100,000	112,000
United Kingdom	516		516
Belgium	182		182
Hong Kong	3		3
Total	1,225,701	750,000	1,975,701

The CHAIRMAN. Mr. Secretary, at that point I think it would be well to put in what those nations have received as a quota in the past years—last year and the year before.

Mr. MURPHY. I would be very happy to supply that.

The CHAIRMAN. You can take this staff data sheet and show what each nation got, including the different categories here of beet sugar and cane sugar.

Mr. MURPHY. We will be very happy to do that.

(The document referred to follows:)

Comparison between final foreign country sugar quotas and reallocations for 1961 and those proposed in H.R. 12154

[In short tons, raw value]

Country	1961			Proposed in H.R. 12154 [1]		
	Quota	Reallocation from Cuban quota	Total	Quota	Reallocation from Cuban quota	Total
Cuba	[2] 3,297,195			1,500,000		
Republic of the Philippines	980,000	490,731	1,470,731	1,050,000	150,000	1,200,000
Peru	121,507	514,870	636,377	200,000	150,000	350,000
Dominican Republic	111,157	222,723	333,880	200,000	150,000	350,000
Mexico	95,409	589,591	685,000	200,000	150,000	350,000
Nicaragua	17,471	25,897	43,368	30,000		30,000
Haiti	8,268	37,005	45,273	25,000		25,000
Netherlands	4,149	5,851	10,000	10,000		10,000
Republic of China	3,980	166,048	170,028	45,000	150,000	195,000
Panama	3,980	6,020	10,000	15,000		15,000
Costa Rica	3,968	26,282	30,250	30,000		30,000
Canada	631	1,266	1,897			
United Kingdom	516	1,034	1,550			
Belgium	182	1,453	1,635			
Hong Kong	3	27	30			
British West Indies	84	265,923	266,007	100,000	150,000	250,000
El Salvador		12,000	12,000	10,000		10,000
Guatemala		17,000	17,000	20,000		20,000
Brazil		306,474	306,474	190,000	150,000	340,000
Ecuador		36,000	36,000	30,000		30,000
Colombia		46,000	46,000	35,000		35,000
French West Indies		75,000	75,000	40,000		40,000
Australia		90,000	90,000	50,000	150,000	200,000
Paraguay		5,000	5,000	10,000		10,000
India		175,000	175,000	30,000	100,000	130,000
South Africa				20,000	100,000	120,000
Mauritius				10,000	100,000	110,000
Argentina				20,000		20,000
British Honduras				10,000		10,000
Fiji Islands				10,000		10,000
Total	1,351,305	3,117,195	4,468,500	2,390,000	1,500,000	3,890,000

[1] At total sugar requirements level of 9,700,000 short tons, raw value.
[2] Quantity provided for by formula quota of zero determined by President, as provided by statute.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. Mr. Murphy, I will be very brief. I want to get clear, and I am referring to this chart which has the analysis of the bill.

Now, the bottom of the chart carries the allocation of the 1½ million tons on a temporary basis for the previous Cuban allotment. It is my understanding that the Department and the administration are strongly opposed to that allocation.

Mr. MURPHY. That is correct.

Senator WILLIAMS. Now, in connection with the second division, the foreign basic quota share, which we read off before, where there has been a substantial increase in many of these countries, do I understand that you are also opposed to the increased allotments on the basic quotas of those countries?

Mr. MURPHY. That is correct. That is true.

Senator WILLIAMS. You do approve, or let me ask, do you approve of the extension of the existing allotments of those countries?

Mr. MURPHY. The existing basic quotas extension we do approve, subject to the recommendation that to the extent countries other than the Philippines enjoy a quota premium this be phased out over a period of 5 years.

Senator WILLIAMS. But you object to the increase in the basic quotas as allocated in the House bill?

Mr. MURPHY. That is correct.

Senator WILLIAMS. I might say that I am inclined to be in agreement with your position on that. We in Delaware have no quotas nor are we expecting any quotas, either under the cane or the sugarbeets.

We are not producers. But I want to ask you this question: just what is the objection of the Department to a greater allocation of some of this basic quota to the domestic producers?

Mr. MURPHY. Well——

Senator WILLIAMS. In order that they could build some of these mills which you are speaking of, because I agree with the position that some of these members have taken, that mere allocation of an additional allotment will not mean anything unless it is put on the permanent basis where they can afford to build a mill. I think that should be recognized, and I think it is recognized by the Department.

My question is: What would be the objection, if there is an objection, to the allocation of some of this basic quota, specifically to some of the domestic producers on a permanent basis?

Mr. MURPHY. The recommendation, Senator, here, would make a substantial increase in the share of the market which is allocated to domestic producers. Within that substantial increase provision is made for the establishment of one new mill a year, and the new growers who would supply that mill, a figure of 50,000 tons.

If we go beyond that that raises the question of the total share of the American market to be supplied by domestic producers, and the total share to be supplied by imports. This is a very difficult question. Among other things, it involves the amount of sugar that is refined. Normally, imports come in in the form of raw sugar which is refined in this country, so there is a refining industry, which is built up or geared up to handle a certain quantity of imported raw sugar, and the recommendation in this bill, as I understand it, just about holds that amount in equilibrium.

There is also the interest in foreign trade.

Foreign trade, of course, is a two-way street. We have some selfish interest, I think, as well as obligation to adopt a reasonably liberal attitude with respect to foreign trade.

In this case, we recommend that this be done by, in effect, making available 40 percent of our sugar market for imports. But with the

exceptions I have noted on a world price basis, not on a premium price basis. This would be my answer, Senator.

Senator WILLIAMS. Well, could you condense that down as to just why do you object to greater allocation of this to domestic producers?

Mr. MURPHY. I wouldn't say that we object to it, Senator.

Senator WILLIAMS. Would it cost us more money?

Mr. MURPHY. I would say this is a matter of judgment, and our best judgment is this is the right position.

Senator WILLIAMS. What is the normal increase in the consumption of sugar annually?

Mr. MURPHY. About 150,000; 160,000 tons a year.

Senator WILLIAMS. And you are allocating 50,000 of that additional tonnage, acreage, to the domestic producers?

Mr. MURPHY. To new domestic producers. We are allocating 63 percent of it to domestic producers.

Senator WILLIAMS. And part of that goes to the old producers?

Mr. MURPHY. Part of that goes to old producers. This 63 percent amounts to about 100,000 tons. It is divided between cane and beets, roughly 25 percent to cane and 75 percent to beets. This means that beets get 75,000 tons, approximately, and out of these 75,000 tons, 50,000 tons are set aside for new producers.

Senator WILLIAMS. Well, I won't pursue that further. I will let the other States get it.

There is one other section in this bill which proposes we pay, as I understand it, the Dominican Republic on a retroactive basis $22 million. Who would get the money, and what is the basis for any such payment?

Mr. MURPHY. Well, the basis—I referred to that briefly in my prepared statement. The basis, as I understand it, is that a fee was collected with respect to some of the imports from the Dominican Republic in 1960 and 1961; that this fee was paid by the companies which imported the sugar; that they have now brought a suit in the Court of Claims to attempt to recover this money.

The House bill provides that the money should be paid out without waiting for the suit to take its course.

It is our view that this provision should not be in the bill, and that this matter should be left for the determination in the Court of Claims.

Senator WILLIAMS. Do you have a list of the companies to whom that $22 million would be distributed?

Mr. MURPHY. I do not, sir.

Senator WILLIAMS. Is it available?

Mr. MURPHY. I expect it is, and we will be glad to undertake to get it.

Senator WILLIAMS. Would you file it for the record at this point, furnish it, and if there is objection to furnishing such information on the basis of it being in court, I won't press it.

Mr. MURPHY. I think we will be able to furnish it, and we certainly will be glad to undertake to do it.

Senator WILLIAMS. Thank you. I have no further questions.

85601—62——4

(The information referred to follows:)

COMPANIES IN THE DOMINICAN REPUBLIC THAT WOULD RECEIVE BENEFITS UNDER SECTION 18 OF H.R. 12154

South Puerto Rico Sugar Co.
Dominican Sugar Corp.
Porcella, Vicini Co.

Senator WILLIAMS. Excuse me, Mr. Chairman, I have just one further question. I was not clear what the Senator from Tennessee said.

Senator KERR. Speak louder.

Senator WILLIAMS. I say I missed the full question of the Senator from Tennessee, and this may be the same question.

I agree with you as to some of your objections to this House bill, and I am going to support an effort to correct it.

In the event we cannot correct this or we cannot get agreement from the House on a proposal other than the measure as passed by the House, would you rather have the House bill or no bill at all?

Mr. MURPHY. My answer to Senator Gore was that that was a very difficult question, and I hoped we would never have to face up to it.

Senator WILLIAMS. I hope you do not either, and I am going to try to do what I can to see that you do not have to face up to it. But as one of the potential members of the conference committee, we may be confronted with it, and the fact that it is a difficult question does not mean that we can dodge it, so I ask it again, and I would like for you to think it over, either answer it now or answer it before these hearings are over, whether you would rather have no bill and take a chance on coming back and doing it over again or take the House bill.

We may be confronted with that question, and I think that the Department should take some of the responsibility in answering it. I say that as one who is going to help you do what I can to prevent either of us being confronted with this question. But we have it.

Mr. MURPHY. I think that is a fair question, Senator. I would like to have some time to think it over before giving you any answer.

Senator WILLIAMS. All right. I appreciate your giving us any answer before we reach that stage. Thank you.

The CHAIRMAN. Mr. Secretary, I want to ask in regard to Senate bill 3290 introduced by 36 Members of the Senate, does your opening statement specifically mention the parts of that bill that you agree to or approve? I see you mention it in certain places, but in other places you more or less confuse it a little in my mind with the House bill.

Mr. MURPHY. It is my understanding that we support Senate bill 3290.

Senator KERR. Just a minute, say that again.

Mr. MURPHY. It is my understanding that the administration supports the Senate bill 3290 as it was introduced, the entire bill.

The CHAIRMAN. You approve of the Senate bill as it was introduced?

Mr. MURPHY. Yes, sir.

The CHAIRMAN. And you have no suggestions to make with respect to any amendments to the Senate bill?

Mr. MURPHY. We do not, except the problem that was worrying Senator Kerr and Senator Anderson. If an amendment is necessary for that purpose, we would like to see that amendment made.

(The amendment was subsequently submitted and appears on p. 26.)

Senator KERR. And counsel said he would prepare it and submit it to the Senator from Nebraska and others and the Senator from New Mexico.

The CHAIRMAN. Senator Carlson.

Senator CARLSON. Mr. Secretary, I shall not dwell on the increase of the domestic acreage allotments for sugarbeets. But am I correct in the statement, as I understand it, that there are 11 areas in the United States that might be available for a sugar mill or sugar refinery?

Mr. MURPHY. I would like to ask Mr. Myers to respond to that, Senator, if he is in a position to do so. I do not know.

Mr. MYERS. I have not tried to count them up, Senator Carlson, but I would expect so, yes. I would assume so.

Senator CARLSON. That being the case, if we pass legislation allocating additional domestic acreage for one mill a year, it could be 11 years before any one of these areas or all of them received mills.

Mr. MYERS. Senator, I would hope that a careful and objective study of the production problems and costs would eliminate some of those hopeful areas.

It costs around $15 to $18 million to build a modern beet factory of 50,000 tons capacity.

They cannot put up that sort of an enterprise in an unproved area. Some of these areas have not yet been proved and, therefore, it would take a considerable time between the hope and the demonstrated ability, and I might say on that point that where we have had factories go in in recent years since World War II successfully, they have been planned and tried out several years in advance.

The two factories in the Red River Valley, the new factory out in California, the one in the Columbia Basin, those have all been worked on and studied for years before they go into production and, therefore, I would assume that these areas would come in more slowly than their present sponsors anticipate. Otherwise, we would have some catastrophies.

Senator CARLSON. Did I understand from the response to that question that the Secretary then would give some consideration to areas which have already proven productive capacity and ability to produce sugarbeets economically and are doing it now, in considering the addition of additional acreage for a new mill in that section? I am not speaking specifically of Kansas. We are producing, we are refining outside of the State at present.

I am told that these modern mills can operate quite efficiently if we build a new one now.

Mr. MYERS. Senator, we have talked about this problem in only a perfunctory sort of way, but we assume that we would have hearings, review the problems of the various areas, and finally have some assurances, some binding assurances, that the investments were ready to be made before we would select a particular area as against other areas.

Senator CARLSON. I appreciate very much that response.

I want to go to another phase which has not been discussed this morning.

Mr. Secretary, is there anything in this bill, anything in the language in the House bill, that would require some of these countries

that we give nonquota or quota, additional sugar quotas, to give anything in return? In other words, de we have any language that would say that we are going to give special consideration to a country that purchases some of our agricultural products, for instance?

Mr. MURPHY. I understand there is no such provision in the House bill. There are some provisions in the House bill that are designed to give some protection against discrimination against one kind or another of American interests, but nothing of the kind you have spoken of.

Senator CARLSON. As this testimony was taken here this morning, I have read that section. What would you have in mind that would be a discrimination against our citizens or our country that would cancel out a sugar quota, outside of expropriation of property, which is another subject?

Mr. MURPHY. This provision was inserted in the bill in the House, Senator, and I am not sufficiently familiar with it to respond in any meaningful way to that question.

Senator CARLSON. But there is no language in this bill that specifically requires that these countries that we deal with on quota allocations, either quota or nonquota, give anything in return. We just give them a quota, is that correct?

Mr. MURPHY. That is correct.

Senator CARLSON. Doesn't it occur to the Secretary that we are missing a golden opportunity here to get something in return for what I think is a very valuable concession to these countries?

Mr. MURPHY. It is our view, Senator, that instead of having this quota system that imported sugar should be brought in without the premium price, and this, I think, would eliminate the kind of a question that you raise.

Senator TALMADGE. Mr. Chairman, would the Senator yield at that point? I would like to pursue some questioning along parallel lines.

We have enormous quantities of surplus wheat, feed grains. Most of the areas that produce sugar have shortages of wheat and feed grains.

What efforts have been made, if any, to trade some of our surplus wheat and feed grains for sugar?

Mr. MURPHY. I think this question arises only in connection with these quotas in their allocation and reallocation.

We made an effort last fall, as I recall, possibly earlier this year, to tie together the purchase of American agricultural commodities, on the one hand, and the allocation of the right to bring in sugar, on the other hand.

We found it to be a very difficult problem and it had some harmful and unfortunate results. This possibly was because of the way it was done, but certainly in this case it did.

For example, we asked other countries or gave an opportunity to other countries to make proposals as to the quantity of agricultural commodities that they would purchase in relation to the sugar quota that might be allocated.

There was a report that went abroad, a rumor, circulated all around the world that under this proposal American cotton would be available or might be available in the European markets at several cents a pound less than the normal price.

The result of this apparently was that many potential purchasers of American cotton in the European markets held back to see what would happen. And so, for a period of several weeks, sales of American cotton to Europe were almost dried up.

Now, this is one of the difficulties that you might get into. If this were simply a bilateral exchange, if the agricultural commodity stayed in the country from which the sugar came, this would avoid a good many of the difficulties.

Senator TALMADGE. In looking over this list of quota allocations in the House bill, virtually every one of those countries are on our foreign-aid program. We are giving them farm surpluses, and yet paying them a premium for sugar.

It seems to me that we could work out some bilateral exchange program there to trade our surpluses for theirs. We have something they need, want. They have something we need and want, and it looks like a reasonable exchange could be made under those conditions.

Mr. MURPHY. I think, Senator, there is a strong argument for that particularly as limited to bilateral exchanges with so-called soft currency countries or countries where we give foreign aid.

We think that the preferable system would be to do away with or not enlarge the quotas, that is to say, we propose maintaining the present permanent quotas which are relatively small in size, a total of a little more than 300,000 tons, as I recall, excluding the Philippines and Cuba, and that the premium price on those quotas be phased out. This means the bulk of our imported sugar would come in at world prices.

There would be no special incentive then to enter into barter-type transactions. We believe that is the best way to handle it. But if there are to be quotas, there are strong arguments for the kind of exchanges that you mention.

Senator TALMADGE. To pursue that one point further, if the Senator from Kansas will yield again, I had lobbyists representing one of these countries come by my office to see me last year, interested in getting a quota for sugar.

I pointed out to him we had large quantities of grain. They needed grain, wheat, and things of that nature, and I suggested he go and see his Ambassador and go over to the Agriculture Department and see if he could arrange a deal, trade some sugar for some wheat.

He grinned and said, "We just signed an agreement to buy some wheat from you."

I said, "You are not under any illusions that you are doing us a favor to take some of our wheat under Public Law 480 and then us lend the money back to you, are you?" And he grinned again and, of course, he knew, he seemed to realize, that the argument made sense. But as long as he could get wheat for free, and sell sugar for dollars, he was not interested in the exchange.

It seems to me that this offers a wonderful opportunity to reduce some of our surpluses and cut down some of our gold exchange that Senator Kerr was mentioning a moment ago, and if the Department has any suggestions in that regard I would appreciate it if you would send some language to the Senate, to the committee, for consideration.

I appreciate the Senator from Kansas yielding to me.

Senator CARLSON. Mr. Secretary, right on that point you mentioned proposals. I have before me a specific 5-year program, what the Senator from Georgia, Mr. Talmadge, was getting into, on wheat. I have before me a 5-year program submitted by Brazil, and it was approved, and it is concerning the purchase of additional wheat from the United States, that would increase the level of Brazil's wheat consumption 100 percent in the next year, provided she could sell sugar to the U.S. market, 750,000 tons of sugar annually over this 5-year period.

Now, this program for additional wheat consumption was worked out, first, through discussions between the Great Plains Wheat Marketing Development Association, the Brazilian Sugar & Alcohol Institute, and it was confirmed to the United States by diplomatic note from the Brazilian Embassy in Washington to our State Department on May 25, 1962.

Are you familiar with that?

Mr. MURPHY. I am not, Senator Carlson.

Senator CARLSON. It just occurs to me that we should not write this type of legislation without taking advantage of some of those conditions, because in your own statement this morning you state this:

> The sugar quota system has become a foreign aid measure in which we determine the amount of aid we give to a foreign country by its ability to gain access to our sugar market rather than by its demonstrated need for foreign assistance.

May I inquire, Mr. Secretary, on the allocations of these quotas which, I understand, are made by the Secretary of Agriculture, are these quotas confirmed by the State Department before you issue them?

Mr. MURPHY. The allocations of the Cuban quota are concurred in by the State Department before they are issued.

Senator CARLSON. I am a member of the Senate Foreign Relations Committee and greatly concerned about our aid programs, and interested in them, and I want to be helpful. But I could never understand why we could not get some language that would take advantage of what I think is a valuable concession to these countries, at a time when we can help them and they can help us, and I do sincerely hope that you will follow the suggestion of the Senator from Georgia and try to come up with some language. If not, I am going to try to get some of my own. I am not just going to let this bill go through without making a fight for it.

Mr. MURPHY. Well, it has been a valuable concession, Senator, operating under the quota system, and if the quota system is continued, it will continue to be a valuable concession.

It still seems to use it would be even more preferable to do away with the quota system, with a specific exception that I have referred to, and permit the importation of most of our foreign sugar at world market prices.

Senator CARLSON. Of course, I would be most pleased to cooperate in any way that I can.

I notice in the House report on this subject, and I am reading from it now:

> In making the temporary allocations after 1963 to other nations from the Cuban reserve quota, the Congress will review and take into consideration, among other factors, the purchases by various sugar-producing countries of agricultural com-

modities in the United States, and will give special consideration also to good-neighbor countries in the Western Hemisphere.

If I understand that, there are two subjects for consideration. One is the purchase of agricultural products, and the other is to cooperate with countries that are willing to cooperate with us or as this language says, "good-neighbor countries."

I have watched the allocations of these sugar quotas, as a member of the Senate Foreign Relations Committee, and I have complained in the committee of the allocation, and I will not mention countries, because we have been doing it quite generally.

When you give a country 100,000 tons of sugar, and they would be so happy to give something in return, it would be part of a bilateral trade program, and I could go into this in great detail, but I do not want to take any further time, but I am going into it further later because I have taken too much time now.

I want to put in the record, Mr. Chairman, a statement from the National Association of Wheat Growers, which has been given to the House committee, but I would like to have it in the record here; and also a statement of former Congressman Clifford Hope, who served for 30 years on the Committee on Agriculture in the House, and who dealt with this problem and who is thoroughly familiar with it.

The CHAIRMAN. Without objection the insertions will be made.

(The documents referred to follow:)

POSITION PAPER ON WHEAT-SUGAR IN CONNECTION WITH THE HEARINGS OF THE HOUSE AGRICULTURE COMMITTEE TO CONSIDER AMENDMENTS AND EXTENSION OF THE SUGAR ACT OF 1948

The position of the National Association of Wheat Growers, and also the Great Plains Wheat, Inc., has already been placed before the committee through statements given on May 21, 1962. In substance, the position is: (1) There is no conflict between the desires of the domestic sugargrowers being allocated as much of the total domestic market as is practicable; and (2) that preference should be given in the allocation of sugar quotas to countries agreeing to purchase U.S. agricultural commodities.

The wheatgrowers of the United States give their unqualified support to the principles outlined above on the basis that it makes good wheat sense for three principal reasons: (1) Good business sense; (2) good political sense; and (3) good sugar sense.

1. *Good business sense.*—During the fiscal year July 1960 to June 1961, U.S. agricultural imports totaled $3,642 million. Our total agricultural exports for the same fiscal period was $4,943,700,000. However, of this amount $1,541,400,000 represented exports under specified Government programs. This left $3,402,300,000 as the net exports on a cash basis. Therefore, the United States had a dollar deficit of $240 million on a dollar basis ($3,642 million imports minus $3,402 million cash dollar exports).

The import trade of $3,642 million may be further analyzed under supplementary (competitive) and complimentary (noncompetitive) agricultural imports. We believe the interest of the United States to steer our trade toward those countries who are the principal source of complimentary agricultural commodities to the extent possible, and this is the reason we support the request of the U.S. producers for increase in their sugar quotas. On the other hand, in determining where the balance of the foreign requirements should go, consideration should be given to countries whose sales to us of supplementary products are low. On this basis, the sugar supplying countries of the Western Hemisphere—Brazil and Colombia—have a good position.

In terms of the value of agricultural exports by commodity over the past few years, the United States has had a program of Government-financed exports under various titles, with the result that for wheat alone, of the total exports of $4,597 million, only $1,092 million constituted cash dollar exports. In other words, three-fourths of the wheat exports were U.S. Government-financed for the period beginning July 1, 1954, through June 30, 1961.

We need to expand our U.S. dollar exports whenever possible. (In fact, the Public Law 480 programs were, in part, designed to assist in market development.) Thus, the recent Brazilian proposal to relate an average of about $50 million a year of additional dollar wheat business to the granting to Brazil of a basic sugar quota to replace part of the Cuban deficit, is an example of good business. The Brazilian program envisaged actually would use an additional 8,330,000 metric tons of wheat over a 5-year period if the program can be supported by using the receipts from the sugar sales to the United States. This additional sale would be accomplished under a program which would permit Brazil to maintain her purchases, and in fact, would increase her purchases from traditional suppliers. In addition, this would permit Brazil to move toward free imports of wheat. New and additional dollar sales of wheat would be increased beginning in 1962 from 300,000 metric tons to 1,190,000 metric tons in 1965. This would represent new cash purchases beginning at $21 million in 1962 and increasing to around $84 million by 1966. This would be an important addition to total cash wheat sales to all countries of $278 million recorded in the fiscal year ending 1961. In 1962, the first year of the program, the Brazilian proposal would represent a 10-percent increase in cash dollar sales of all wheat to all markets, and in 1966, the last year of the program, the total value of sales of $84 million would represent a 30-percent increase in total U.S. cash sales to all markets. For the 5-year period the new cash sales to Brazil represents an average increase of about $50 million annually, or 20 percent over the 1961 dollar sales.

The Brazilian proposal alone is of great national significance since it would mean selling, for cash, wheat equal to that produced on an average of more than 3 million acres a year for 5 years.

This same type of program, however, can and should be worked out whenever possible with other countries, and for other U.S. farm commodities, such as feed grains, poultry, animal products, and dairy products.

All this, it seems clear, makes good business sense because: (1) Maximum utilization of the productive capacity from wheat acreage would be realized thereby minimizing Government costs associated with handling commodities in surplus; (2) additional permanent dollar markets would be created for exports of crops in Latin America as a means of offsetting the anticipated decline of U.S. agricultural exports to the European Common Market and the loss of exports to Cuba; (3) the Nation's balance-of-payments position would be improved.

2. *Good political sense.*—The wheatgrowers and the growers of sugarbeets and sugarcane in the United States are looking for expanding markets for their products.

These growers have a common interest. Many States, in fact, are important producers of sugar and wheat, as for example North Dakota, Nebraska, Montana, Idaho, Colorado, Washington, Minnesota, Michigan, and Oregon.

In two other States—Texas and Oklahoma—wheat is an important crop and many of the farmers want to increase their production of sugarbeets.

There is no reason, in short, for political conflict over these two crops.

This point is demonstrated in a table which compares sugarbeet acreage with wheat acreage in States producing significant quantities of both crops.

The importance to these same States of an expanded export market for wheat is illustrated in the attached table using the only formal proposal from a sugar exporting country as an example. This table prorates the acreage that would be required to supply the wheat called for in this proposal.

In this table, for the purpose of illustrating the point, that required acreage was assumed to average 3 million acres annually.

Actually, the Brazilian proposal calls for a gradual increase in total wheat consumption of 10 percent each year over a 5-year period, beginning this year.

In order to meet this increased consumption, the Brazilian proposal allows for projected increases in local production, and some expansion of purchases from Argentina. The largest portion of the expanded wheat purchases would come from the United States.

A second table gives the estimated tonnage of wheat that would be required from the United States and illustrates the equivalent acreage needed to yield that tonnage.

Comparison of wheat and sugar acreage harvested in 1961

	Acreage harvested			Brazil, wheat-sugar utilized proceeds from 3,000,000 acres annually
	Sugarbeets	All wheat	Percent	
Total	1,087,800	51,620,000	100	3,000,000
Ohio	21,600	1,457,000	2.8	84,000
Michigan	72,200	1,111,000	2.2	66,000
Wisconsin	6,500	58,000	.1	3,000
Minnesota	97,100	1,022,000	2.0	60,000
North Dakota	46,900	5,756,000	11.2	336,000
South Dakota	9,200	2,260,000	4.4	132,000
Nebraska	77,800	3,220,000	6.2	186,000
Kansas	10,300	10,329,000	20.0	600,000
Montana	65,500	3,679,000	7.1	213,000
Idaho	119,000	1,083,000	2.1	63,000
Wyoming	52,100	229,000	.4	12,000
Colorado	167,100	2,459,000	4.8	144,000
Utah	23,600	215,000	.4	12,000
Washington	54,600	1,974,000	3.8	114,000
Oregon	20,790	796,000	1.5	45,000
California	238,000	337,000	.7	21,000
Texas	(1)	3,690,000	7.1	213,000
Oklahoma	(1)	4,618,000	8.9	267,000
Other	5,600	7,327,000	14.3	429,000

[1] Included with other.

Source: Crop Production—1961 Annual Summary, U.S. Department of Agriculture, Dec. 15, 1961, Cr. Pr. 2-1 (61).

Table C below illustrates how the suggested program may be implemented:

TABLE C

[Thousand metric tons]

Calendar year	Total required from United States under assumed targets (table B)	Proposed from title I and title IV	Wheat for cash	
			By formula	Usual purchases
1962	1,700	1,100	300	300
1963	2,150	1,500	500	150
1964	2,550	1,500	900	150
1965	2,440	1,300	990	150
1966	2,540	1,200	1,190	150
Total	11,380	6,600	3,880	900
5-year average	2,276	1,320	776	180

CALCULATED ACREAGE UTILIZED TO PRODUCE ABOVE TONNAGE [1]

[Thousands of acres utilized]

1962	2,618	1,694	462	462
1963	3,311	2,310	770	231
1964	3,927	2,310	1,386	231
1965	3,758	2,002	1,525	231
1966	3,912	1,848	1,833	231
Total	17,525	10,164	5,975	1,386
5-year average	3,505	2,033	1,195	277

[1] 1 metric ton=2,204.6÷60 pounds (1 bushel wheat)=36.7 bushels per metric ton. 36.7 bushels per metric ton divided by 23.9 bushels per acre (U.S. national average, 1961) gives 1.54 acres to produce 1 metric ton of wheat. Factor of 1.54 acres used to convert table C from wheat tonnage to equivalent yearly acreage utilization shown above.

Source: Wheat-sugar memorandum for Brazil submitted for the record by Clifford R. Hope, Great Plains Wheat, Inc., at the May 21, 1962, hearings on H.R. 11730

For example, the requirements from the United States in 1962, begin at 1,700,000 metric tons of wheat and increases to 2,540,000 metric tons in 1966.

The acreage equivalent—in terms of the illustration used—would be 2,618,000 acres in 1962 and increases to 3,912,000 acres in 1966.

3. *Good sugar sense.*—Sugar production is naturally adapted to the tropical countries in the Western Hemisphere, and the widespread production of sugar in this general area gives assurance that the U.S. sugar supplies needed to fulfill the foreign sugar requirements as determined by Congress to be their share of the U.S. market under provision of the Sugar Act.

At least three countries now under the Sugar Act—Mexico, Dominican Republic, and Peru—each have sugar available for export exceeding 500,000 tons or more, and the fourth country—Brazil—has an export history for the past 3 years of over 800,000 tons, and this under conditions of crop restrictions.

Many smaller Latin American countries in the Western Hemisphere have sugar for export in smaller amounts.

This is a natural trade area for the United States. Consequently, to the extent possible, these countries' request for basic sugar quotas under the act should be given greater importance to the extent that they offer a program which involves the reciprocity of trade and thereby contributes to one of the objectives of the Sugar Act to promote the export trade of the United States.

The United States has demonstrated that it leads the world in the production of many farm commodities. On the other hand, it has been generally observed that most of the underdeveloped countries of Latin America are deficient in consumption of better quality cereal foods. Also, to the extent economy will permit, they could increase their consumption of high protein foods.

The United States, on the other hand, has in the recent period experienced an unfavorable balance of payments and a drain on the gold reserve. This situation could be greatly eased if exports from the United States for cash dollars could be increased.

To the extent that we can expand our markets for all farm products, and particularly those in surplus, we would be, in fact, associating good business sense with good sugar sense.

Statement of Former Congressman Clifford Hope Before the House Agriculture Committee

It seems like old times to me to be sitting in this room in connection with the consideration of sugar legislation. I was a member of this committee at the time of the formulation and passage of the original Jones-Costigan Act in 1934 and participated in the consideration of a number of extensions of the law prior to my retirement from Congress on January 3, 1957. At this time it is a pleasure to be here in a different capacity as a witness before the distinguished members of this committee, many of whom were my colleagues and close friends for many years. I see many here, also, who have become members of the committee since my departure, most of whom I have had the pleasure and honor of meeting and knowing.

This committee, certainly one of the most important in the Congress, has dealt with tremendous problems during the last 30 years. Few of them have presented more inherent difficulties than sugar legislation, and yet I think I am justified in saying that there has probably been no commodity legislation considered by this committee over the years which has been more successful in accomplishing the purpose for which it was written. This is quite remarkable when it is considered that there are vast competitive and conflicting factors involved both from the standpoint of the world and our own country. Certainly the record of sugar legislation and its operation through changing conditions for 28 years is a shining example of what can be done through industry cooperation in the enactment of wise legislation.

My presentation to you today will cover a very limited area as far as the general problems of sugar are concerned, but I think it is an important area and one which is of interest to this committee, not only from the standpoint of sugar but from that of finding markets for agricultural commodities now in surplus.

The taking over of Cuba by the Communists has had many far-reaching effects. Not the least of these has been the loss of one of the largest single markets for American agricultural commodities, including some which are now in serious surplus situations. Thus, it would seem both logical and expendient that in looking for new foreign sources for sugar, consideration should be given to those

producing countries which can use and are willing to buy some of our agricultural overabundance.

It is with this thought in mind that Great Plains Wheat has for the past 2 years been working on the idea of devising a procedure, legislative or otherwise which would enable a sugar-producing nation to receive an allocation of sugar with the understnding that the dollar credits so generated would be used for the purchase of surplus agricultural commodities in this country.

Thanks to this committee, under the leadership of its distinguished chairman and other members, and to the Finance Committee in the Senate, the extension of the Sugar Act on March 31, 1961, contained a provision stating that in making allocations under the act, "* * * special consideration be given to countries in the Western Hemisphere and those countries purchasing U.S. agricultural commodities." But the committee did not stop there. On more than one occasion, it expressed itself vigorously on the subject. In particular, it adopted a committee resolution on September 7, 1961, which reads as follows:

"That the President be requested to instruct those in charge of administering the program that it is the clear intent of Congress that in making any such purchases of sugar for the calendar year 1962, clear preference is to be given those countries which offer to buy a reasonable quantity of U.S. agricultural commodities in return for the purchase of their sugar."

On February 12, 1962, a press release from the Department of Agriculture announced that "subject to market conditions and other factors, some importations of sugar would be authorized from countries agreeing to purchase additional commodities" and that "such authorizations will be in addition to any other quota a country may have under the U.S. Sugar Act, and are authorized by the provisions of the Sugar Act of 1948, as amended on March 30, 1961, Public Law 87–15."

Since then, pursuant to the legislation and in accord with the tenor and intent of the committee resolution of September 7, 1961, allocations of sugar quotas for 1962 have been made to a number of countries on the basis of agreements by such countries to purchase U.S. agricultural commodities. These allocations are not large, but I mention them particularly to indicate that this is a practical method for handling matters, and that it has been so accepted by the executive agencies of the Government.

The countries involved, the amount of sugar allocated, and the agricultural commodities agreed to be purchased are as follows: Brazil, 50,000 short tons of sugar and an agreement to purchase wheat; India, 50,000 short tons and an agreement to purchase cotton; Republic of China (Formosa), 29,000 short tons, cotton and tobacco; Fiji Islands, 5,000 short tons, rice and flour; Ireland, 5,000 short tons, corn and grain sorghum; El Salvador, 5,000 short tons, wheat and yellow corn; Colombia, 5,000 short tons and wheat; Guatemala, 5,000 short tons, item to be purchased—yellow corn. The total allocations amount to 154,000 short tons.

It seems to me that deals like this make sense. They not only tend to compensate for our lost agricultural outlets in Cuba, but if used extensively, open up important new dollar markets for agricultural commodities in many parts of the world. They contribute also to the stability of the developing countries by giving them assurances of more stable food supplies for their increasing population and an outlet for one of their principal surplus commodities. It also constitutes a foundation for future commerce in the normal channels of trade and shifts a part of our aid program to a trade program.

I am disappointed that the pending bill, H.R. 11730, does not contain language making possible sugar-agricultural commodity transactions as provided by the 1961 extension to which I have made reference, and on behalf of Great Plains Wheat desire to recommend that a similar or an even stronger provision be included in this measure.

In addition, the organization which I represent believes that even more can be accomplished in trade promotion and development if provisions are included in the bill which would provide allocations of sugar for the full period covered by the bill to countries which would agree to purchase U.S. agricultural commodities. This, of course, would require amendment of the pending bill to provide for specific allotments to sugar-producing countries for the full 5-year period rather than the global allotment as provided in the bill.

As an illustration of the possibilities both for the United States and foreign sugar-producing countries, I would like to bring to your attention the situation in Brazil. During the past 2 years, Great Plains Wheat has conducted extensive market development studies and activities in that country. Early in the course of this activity, it appeared that sugar-wheat transactions offered possibilities for both countries.

Brazil is one of the world's largest sugar producers and in a position to expand its output if market outlets can be secured. It is also one of the world's greatest potential markets for wheat. As is well known, the population of Brazil is approximately half of that of South America and is increasing at an extremely rapid rate. As to the consumption of wheat, Brazil has a very low per capita consumption, approximately 32 kilos in 1960, the latest year for which I have figures. This compares with 74 kilos in the United States and much higher figures in such countries as Argentina and Chile where supplies are ample. In some areas, particularly the poverty-stricken northeastern part of the country, the consumption is about 10 kilos per capita. As a matter of fact, Brazil's per capita consumption in 1960 was less than in 1953 and declined steadily from 1955 to 1960. The same thing is true of total consumption.

In the main, this has been due to a smaller supply of wheat. Domestic production, never a too important factor, has declined. Over the years, Argentina has been the principal supplier but has fallen down on its commitments during the past 2 years and has now suspended exports for this year. Our country has filled the gap to some extent with Public Law 480 shipments which have increased markedly. Brazil also has a bilateral agreement with Russia calling for imports at the rate of 200,000 metric tons through 1964, but this is a very small part of even the present low consumption.

The national target for the past few years has been a supply of 2,400,000 metric tons, but this has not been met in recent years. This, of course, is low as indicated by per capita consumption. Careful studies indicate that under conditions of free purchases, Brazil would consume 3 million metric tons in 1962–63 with annual increases leading up to a figure of 4 million metric tons by 1970.

While Public Law 480 assistance helps, it is not the whole answer because Brazil, like other countries, does not know when such supplies may be discontinued or curtailed. It cannot afford to expand imports even under 480 unless there is a cushion somewhere to fall back on. The answer lies in more trade, and with our need for sugar and Brazil's need for wheat, and with ample supplies of each in the respective producing countries, it is not surprising that wheat producers in this country and sugar producers in Brazil have been attempting to work out a practical solution of the matter.

Over the past several months, conferences have been held between representatives of the Brazilian Sugar and Alcohol Institute and representatives of Great Plains Wheat. Government officials in both countries have known of these conferences and have been kept informed of what was being discussed.

The principal spokesman for the Brazilian Sugar and Alcohol Institute has been Ambassador Edmund Barbosa da Silva, president of that organization. Lester L. Mort, until recently director of the Washington office of Great Plains Wheat, has represented our organization. Out of their conferences came an eight-page document which contains much pertinent information with respect to the wheat situation in Brazil. Page 8 contains a formula which in general terms outlines the conclusions and agreements reached between Ambassador da Silva and Mr. Mort. I would like to ask unanimous consent at this time to submit this document for the record as part of my statement. I believe this document is at your desks at the present time.

Senator CARLSON. That is all.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. Most of the questions have been asked earlier today. But I do want to say to you I think the question was raised by Senator Gore, and repeated by Senator Carlson, as to what you would do in case you just get the House bill, that that is important—I mean Senator Williams—but I think that the likelihood that that could happen might be reduced by the amount of consideration—I have seen that happen, I think the southerners call it protracted discussion—in the Senate.

Senator Douglas has announced he has some feelings on this matter. I assure you the junior Senator from New Mexico has, and I know a great many other Members of the Senate who do.

While I commend you strongly for sticking by this bill of which I am not a cosponsor, and I did not cosponsor it because I had the problem in my mind that Senator Kerr referred to, and only that, I think it is a good bill. If something other than this comes out, it might take quite a while for the conference report to be adopted. I, for one, am going to stick by the proposal Senator Douglas made a year or so ago, which I supported then and thought was right, and still think so.

You have a comment in here about good luck, that good luck had something to do with something:

> Through good luck we have been able to obtain supplies for domestic consumers without disruption or serious price increases.

It wasn't completely luck, was it? There were existing stocks of sugar all over the world that you tapped, didn't you?

Mr. MYERS. Yes, sir.

Senator ANDERSON. I thought India came in and tried to sell you 500,000 tons, and they said they had a million tons available.

Mr. MYERS. Yes; Senator, they did. India was a great distance away. The great fortune we had was at that time Mexico had nearly three-quarters of a million tons of sugar she did not know what to do with in the summer of 1960 when we stopped buying sugar from Cuba, and delayed taking sugar from the Dominican Republic.

Senator ANDERSON. So Mexico supplied that sugar and then turned around and voted with the Cuban Government against us.

Mr. MYERS. That, Senator, I am only talking about the fact that they had the sugar.

Senator ANDERSON. I realize that. But that is what happened on a great many of these foreign quotas.

Senator Carlson was speaking about what they do. We helped Mexico out very substantially. It did not work out too well. That is why some of us asked the State Department to have very loose authority here to move around as it sees fit and not have it tied down to a specific 10,000 tons to this one and 10,000 tons to that one.

I am glad you stressed that sugar should be priced at a level consistent with the terms of section 201 of the Sugar Act, and that is to see that fair prices are obtained, not scarcity prices or extravagant prices. Isn't that the reason for section 201 that you are referring to?

Mr. MURPHY. Yes, sir.

Senator ANDERSON. I noted a great many things as you went through the statement, Mr. Secretary, and I would like to take the time to discuss them. But I would like other members of the committee to have a chance to discuss it, and I have been in the discussion pretty heavily thus far, and I will only say to you that I do subscribe strongly to the Senate bill which is before us and which is sponsored by so many Senators, and the amendment which Senator Kerr has suggested and which you have indicated might possibly be worked out.

I think that is the most encouraging suggestion that has been made for a long time.

Under those circumstances, I have not nearly as many questions as I would normally have. Our people out there feel that this ties into a great many things.

I do not subscribe to the theory that there are 11 areas that might build mills. I was awfully glad that Mr. Myers pointed out that

while there might be 11 areas that could grow some sugarbeets and might be regarded as areas, that it won't take that many mills, by a long shot. probably to take care of the present available demand.

I would think you could build two mills in 3 years or at the very most three mills in 5 or 7 years, and you would have made very, very excellent progress.

These things are had to do. You have to show a mill operator that he is going to get his $15 million back, that he is going to have a market contiguous to him, that he can serve that market and I for one, would say I think there may be three or four areas in the country that may be good locations for mills.

There are many other areas that are promising. There are, perhaps, areas that can be readjusted as Mr. Myers suggested. So that the increased production may be possible as in the case of Senator Curtis and Senator Bennett without maybe the building of some new mills.

I was very glad Mr. Myers was restrained in his comment, and he did indicate that 11 might not be necessary.

Mr. Chairman, I think others have more reason to ask questions than I have, after the assurances I got.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Mr. Chairman, I have a brief statement I would like to offer for the record at this point. Most of my questions have been covered and I am pleased to note the specific expression of the support of the Senate bill of which I am a cosponsor.

I am going to be interested very much in the text, the language, of the proposed amendment that will be offered, because I recognize this new grower problem has been very serious.

As I understand it, the Senate bill supports and protects the basic quotas that have been available previously to a limited number of offshore countries.

Mr. MURPHY. It does, Senator, except that the premium would be phased out over a period of 5 years.

Senator BENNETT. Yes. But it does not immediately do away with those quotas.

Mr. MURPHY. It does not; it does not. And, of course, in the case of the Philippines there would be no phasing out.

Senator BENNETT. That is a treaty problem and is different from all the others.

Mr. MURPHY. That is correct.

Senator BENNETT. Mr. Chairman, I have no further questions at this time.

The CHAIRMAN. Without objection, the insertion will be made in the record.

(The statement of Senator Bennett follows:)

STATEMENT OF HON. WALLACE F. BENNETT, A U.S. SENATOR FROM THE STATE OF UTAH

Mr. Chairman and members of the committee, it is my understanding that the domestic features of this bill, H.R. 12154, in large part reflect a general agreement not only among the various diverse elements of the domestic sugar producing and refining industry, but also between the industry and the Government. I am well aware that considerable sacrifices were made by all elements of the industry, and particularly by the beet sugar industry, in order to reach this broad area of agreement. I wish to commend the industry for its strenuous efforts in making the necessary compromises and sacrifices to present a common

viewpoint. It greatly simplifies the work of this committee in dealing with the domestic phases of this bill.

After examining all the pertinent material, it is my conclusion that the chief virtue of the domestic provisions, particularly those applying to the beet sugar industry, is the stability which those provisions promise for the industry. It will be possible for the farmers of Utah, and the score of other producing States, to plan their plantings much more effectively and realistically with a long-term law and without the uncertainties that have marked the sugar program in the last few years.

On the foreign phases of the bill, however, I do wish to make some observations. First, I find it hard to believe that a very thorough study was made of the sugar industries and their capabilities in all the 29 countries that have been assigned quotas in the bill. I am indeed curious as to the basis for the decisions in the Agriculture Committee of the other body in determinnig that we should rely on the Fiji Islands, for example, for 10,000 tons of sugar a year, South Africa for 20,000 tons, or Mauritius, halfway around the world, for 10,000 tons. I am curious about what criteria were used.

I am also disturbed by section 18 of the bill. This is the section that would restore to the sugar interests of the Dominican Republic the import fees that were collected on Dominican nonquota sugar between September 26, 1960, and March 31, 1961. The sum of about $22,800,000 is involved, and the matter is now in the courts. The sugar interests of the Dominican Republic are suing the United States, and the Justice Department is putting up a strong defense. I do not believe it is the province of the Congress to pass legislation which would take this matter out of the courts and, in effect, pronounce a verdict in favor of the sugar interests of the Dominican Republic without hearing any of the evidence. This smacks of a private special-interest bill being tacked on to a broad Sugar Act.

Also, I have a strong feeling that in its zeal to parcel out the American sugar market to foreign sugar interests all around the world the Agriculture Committee of the other body cut too deeply into the so-called Cuban retain—the portion of the former Cuban quota that should be held intact, uncommitteed on a permanent basis, for the eventual restoration to a future Cuba when she returns to sanity.

I do not believe that any of the Cuban quota should now be given to Cuba. I recall how hard we in the Senate 2 years ago had to battle with the other body in order to give the President of the United States the authority he so despartely needed to prevent Castro from continuing to sell sugar in the United States. I still strongly believe we should not buy Cuban sugar, as long as a Communist government is in control there.

But I also strongly feel that we should keep a sufficiently large portion of the Cuban quota intact, so that when a friendly government returns we may without difficulty restore a substantial sugar quota to help her economy.

Under the present law, the Cuban quota at the present level of consumption would be about 3,200,000 tons. The administration has proposed keeping about 2,500,000 tons for eventual return to Cuba. This amount may not be necessary, but the 1,500,000 tons provided in the House bill is certainly too low. It would not be enough to give the Cuban economy an adequate recovery injection, and it is not enough to encourage those Cubans who would like to shake off Castro to do so.

A compromise between the House figure and the administration figure—say 2,000,000 tons—would be fitting, it seems to me, at the present time. Perhaps at some future time it could be cut lower—but let us not do it too soon. Let us show the Cuban people that we have not yet given up hope of their eventual return to the fold of civilized nations and that we are still willing to restore a large part of their former sugar market in the United States if they shake off the yoke of communism.

Mr. Chairman, in the last few years we have seen the sugar program become a football; we have seen it kicked all over the lot. The series of short-term extensions to which the act has been subjected have done the program no good. Although we are again up against an early deadline, right up against the expiration date of the act—thanks to the lateness of the hour at which the other body sees fit to send us the bill—I am hopeful that we can before the end of next week enact a long-range sugar bill.

Earlier I mentioned the stability which is one of the chief virtues of the Sugar Act—and of the domestic provisions of this bill. That stability—so im-

portant to the farmers of Utah and the other great sugar-producing regions of our Nation, as well as to consumers—can be achieved only through long-term legislation.

The CHAIRMAN. The committee will recess until 2:30. I assume, Mr. Secretary, you will be glad to return.

(Whereupon, at 12:30 p.m., the committee was in recess, to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

The Chair recognizes Senator Douglas.

Senator DOUGLAS. Mr. Murphy, in the colloquy which I had with you and your associates this morning it was developed that the world price of sugar was approximately 2.7 cents a pound.

That the duty was approximately one-half cent a pound, and freight charges in Atlantic and, I suppose, gulf ports as well, of approximately a half cent a pound so that the sugar bought on the world market at world prices would cost about 3.8 cents refined.

But that, as a matter of fact, the domestic price is 6.5 cents, and that, therefore, the American consumer is paying a subsidy of 2.8 cents a pound or $56 a ton; that is correct, is it?

STATEMENT OF HON. CHARLES S. MURPHY, ACCOMPANIED BY JOHN C. BAGWELL AND LAWRENCE MYERS—Resumed

Mr. MURPHY. That is correct.

Senator DOUGLAS. Now, on the 3,890,000 tons imported, this amounts to a subsidy to foreign producers of $218,400,000 approximately?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. If you deduct the Philippines provision which is governed under a treaty, and, therefore, not immediately subject to legislation, this comes to approximately $161 million.

Mr. MURPHY. Right.

Senator DOUGLAS. That is a subsidy paid by domestic consumers, both industrial and household, to producers abroad?

Mr. MURPHY. That is about the figure I have in mind, Senator, I am not sure precisely.

Senator DOUGLAS. Of this something over $140 million comes from the redistributed Cuban quota?

Mr. MURPHY. That is correct.

Senator DOUGLAS. And the other approximately 22 million come from the quotas previously given to countries all outside the United States other than Cuba, the Philippines, and so forth?

Mr. MURPHY. That is correct.

Senator DOUGLAS. And it is the proposal of the administration to buy immediately what was the Cuban quota at the world price and then collect a tariff equivalent to the difference of 2.8 cents a pound. This would net to the Treasury approximately $140 million?

Mr. MURPHY. That is the approximate figure. I believe I used $130 million this morning, but that is the range.

Senator DOUGLAS. And in the case of the other permanent quota countries you propose to take a quarter of their bonus each year?

Mr. MURPHY. Twenty percent, I think it is, for 5 years.

Senator DOUGLAS. So you absorb that in 5 years?

Mr. MURPHY. Yes.

Senator DOUGLAS. I congratulate the administration on this proposal.

I think at least it should be said for the record that the excess price paid to domestic growers above what the price would be if the entire purchases were made abroad at the present price per ton figures, comes to approximately $330 million a year, and I may say it is not my intention to propose any reduction in this figure.

I well know what would happen if it were proposed. Every finger on my hand would be cut off, if not the hand itself. But I think it is worthwhile that the consumers know what they are paying, and the administration, as a matter of fact, increased the domestic quota by about 650,000 tons, isn't that true?

Mr. MURPHY. I think a little less than 650.

Senator DOUGLAS. A little less?

Mr. MURPHY. 635,000, I think it is.

Senator DOUGLAS. I see.

Then the bill would give to the domestic producers an additional subsidy of about $38 million. In round numbers, $37 million approximately.

Mr. MURPHY. It we use your definition of subsidy, yes, sir.

Senator DOUGLAS. Yes.

And you hoped that in this way that you might get them to support the bill as a whole and look kindly on the decrease in the payments paid to the foreign sugar producers, is that right?

Mr. MURPHY. We hope that they will support the bill, and that they will look kindly on that increase.

Senator DOUGLAS. We look forward to their testimony with interest.

Mr. MURPHY. We would support this provision on the domestic producers on the merits.

Senator DOUGLAS. I may say, I don't believe in threats, I believe in following the policy of the Sermon on the Mount. But I would say if they do attack this attempt to save $150 million for the Treasury and the people, their own subsidy might come under attack.

Senator BENNETT. Can you quote the Sermon on the Mount which describes that kind of an operation?

Senator DOUGLAS. No; I say that, ordinarily, I try to be very lenient in these matters, and not to indulge in threats. But here is a proposal which gives them about $38 million more in subsidies than they have at present, and yet I heard they were opposed to the administration's bill.

I was merely saying if they continue in this opposition I will be sorely tempted to attack the domestic subsidy. But if they do not attack this why I am willing to overlook it and concentrate my attention on the subsidy to the foreign producers.

Senator CURTIS. Would the distinguished Senator yield?

Senator DOUGLAS. Yes.

Senator CURTIS. Now, the distinguished Senator from Illinois is a noted economist.

Senator DOUGLAS. What is coming now? [Laughter.]

Senator CURTIS. And knows all the figures and theories of trade. You have cited a purported savings to the consumers by the purchase of sugar abroad.

Suppose all of the needs of our people are purchased abroad, if that were possible, and disregarding the effect upon our economy, how much would it lower the household expenses?

Senator DOUGLAS. The total subsidies to sugar producers——

Senator CURTIS. No, I am talking about all these——

Senator DOUGLAS. May I answer this in my own way on sugar which is the immediate subject?

The total subsidies paid to producers, foreign and domestic, come to something close to $550 million a year. Now, if I were to take up the removal of the domestic subsidy, I would be prepared to argue this question with you. But since I hope that I will not be compelled to take it up, I don't think I want to argue it at this time and I would prefer to confine myself to the subsidy to the foreign producers.

Now, these subsidies have been going on for at least 2 years in the past since the Cuban quota was redistributed, isn't that correct?

Mr. MURPHY. That is correct. It has not always been in exactly the same amount.

Senator DOUGLAS. I understand.

It is at the rate of approximately $150 million a year, and prior to that time this subsidy was paid to the Cuban sugar producers, isn't that true?

Mr. MURPHY. That is correct. But again, I think if you go back some years we find the subsidy was not so great.

Senator DOUGLAS. I think our diplomats in our dealings with Cuba and with the nations which tend to sympathize with Cuba should make clear to them that we paid the Cubans, paid them over a long period of years, close to $150 million more than the world price.

It is true that somewhere between 35 and 40 percent of the Cuban sugar was milled in American mills there so that our companies got back a considerable proportion of this. But nevertheless, we were extremely generous to the Cuban people and I think we should use this as propaganda to offset Mr. Castro's denunciation of us as being harsh dealers.

Now, may I pass to this point.

In Peru, with a basic quota of 200,000 plus an allocation of 150,000, does not that come to purchases of 350,000 tons at an average subsidy of $56 a ton, or a total subsidy of approximately $19.6 million?

Mr. MURPHY. Yes, sir.

Senator DOUGLAS. Do you know who are the big producers in Peru?

Mr. MURPHY. I do not, Senator, have any information on that, except that it was mentioned this morning by you, I believe.

Senator DOUGLAS. My information is that W.R. Grace & Co. owns 18 percent of the acreage, and crushes 21 percent of the sugar; that Nepena, which is U.S. controlled, has 5 percent of the acreage and crushes 5 percent of the sugar. And that this firm with the German name——

Mr. MURPHY. Guildemeister.

Senator DOUGLAS. Yes.

Do you know what percentage of the acreage they have, Mr. Myers?

Mr. MYERS. No, sir, I do not. But my understanding is or my recollection is that it is somewhat higher than the Grace.

Senator DOUGLAS. Yes.

I would like to point out that on the basis of 20 percent the subsidy to Grace would be just short of $5 million a year, and the subsidy, therefore, to Guildemeister would be more than $4 million a year.

(At the direction of Senator Douglas, the following letter from W. R. Grace Co., which was received subsequent to this discussion, is inserted in the record:)

W. R. GRACE & CO.,
New York, N.Y., June 21, 1962.

Hon. PAUL H. DOUGLAS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR DOUGLAS: In the first place, let me thank you for your kindness in receiving me this afternoon and for your generosity in consenting to amplify the record of the hearings of the Finance Committee with respect to certain reflections on Peruvian sugar producers which occurred in colloquies during those hearings.

I refer to those portions of the examination of Messrs. Murphy and Myers of the Department of Agriculture wherein W. R. Grace & Co. was named as one of the "wealthy plantation owners" in Latin America in a context which could leave the impression that it was one of those which "do not invest their rents and profits to any appreciable degree in their own country but send them abroad for safekeeping." In the same reference it is possible that one could get the impression that Grace was a "big landowner" whose profits, when not "consumed in luxury" are "deposited abroad and not used for the development of their own countries, deposited notably in Switzerland; that is, they go into numbered accounts, hidden from public view."

W. R. Grace & Co., an American corporation with 35,000 stockholders in the United States, was founded in Peru 108 years ago, and has long been proud of its record of honorable treatment of its Peruvian hosts, its contribution to their economy and standard of living, and its creation of greater opportunities for Peruvian workers and managers. At the same time it has held modest pride in its representation abroad of the best traditions of the United States.

After talking with you today, I am edified by your own conscientious wish, which we share, that no room for doubt be left as to the role of such an American company in Peruvian economic life. Far from depositing our profits in Swiss numbered accounts (of which we have none) we have, throughout our more than a century as a business house in Peru, plowed back our earnings into the economic development of that country. For example, the two Grace sugar operations, in the last half decade, have reinvested in the Peruvian sugar business a sum in excess of their earnings for that period.

The total arable area of our two plantations, by the way, is 25,000 acres.

W. R. Grace & Co. as a whole invested in Peru during the same 5-year period over $22 million. In fact, our confidence in all Latin America is such that in the same period we made investments in Latin America of $59.8 million. Our projected investments for the next 5 years are $41.5 million, or a total of Latin American investments in the decade 1957–66 of over $100 million.

Our company has been a leader in wage increases, has created new high levels of social benefits, has built schools, churches, hospitals, social centers, youth centers, vocational training centers, has granted scholarships and furnished many other facilities for the enrichment of the lives of the Peruvian citizens who have associated themselves with us. We have followed the policy of taking local citizens into partnership in our enterprises, of training local citizens for the highest management positions, and of cultivating a respectful attitude for local customs and traditions.

I wish to add to this statement my conviction and that of my associates that the other major Peruvian sugar producers are doing any exemplary job in the same respects to which I have referred in commenting on W. R. Grace & Co. We know these men well, and we know their operations. A study of Peru makes it manifest that these men are reinvesting their profits in the development of local Peruvian enterprises. This can readily be seen not only from the modernization

of their efficient farms and mills, primarily done with machinery and equipment imported from the United States, but also from the remarkable economic development of Peru, which is being done with Peruvian capital that is quite obviously not lying idle in Swiss accounts. These patriotic men could well be an example to the landowning sector of many underdeveloped countries.

Some time ago, the National Planning Association commissioned Prof. Eugene W. Burgess of the University of California (Berkeley) and Prof. Frederick H. Harbison, professor of industrial relations at Princeton University, to write a report on the activities of W. R. Grace & Co. in Peru as a case study in "U.S. Business Performance Abroad." The authors summed up the performance of W. R. Grace & Co. in the following language (p. 95) :

"Casa Grace has not taken Peru's resources for foreign use, but has offered Peruvian-made articles that supply jobs to the ever-growing industrial population, has increased productivity and decreased reliance on foreign imports, and, thereby, has directly contributed to a higher level of living."

Our company today is presided over by J. Peter Grace, the grandson of a young Irish immigrant who found a new home and great opportunity in Peru, and later became a U.S. citizen and mayor of New York. We have long been motivated by a sense of gratitude to Peru and its people. Under no circumstances would Mr. Grace or any of his management ever be a party to any activity or practice detrimental to the economy of the country or to the welfare and progress of its people. As U.S. citizens we are proud of our association with Peru, and we are grateful to you, Senator Douglas, for the friendly and open-minded hearing you gave us this afternoon.

With gratitude and great respect,

Sincerely yours,

(Signed) JOHN D. J. MOORE,
Vice President.

Senator DOUGLAS. Now, I notice that Haiti is included, with 25,000 basic tons, 85 percent of the milling capacity is in the hands of the Haitian American Sugar Co., and, therefore, presumably would receive a subsidy. Incidentally, the wages in Haiti, as a whole, average hourly earnings are the magnificent sum of 9 cents an hour, and the rate for cutters is 50 cents a ton on a piecework basis. The note paid by Hasco, however, I am told, is higher than that. It is about $1.80 per day.

Now, in the Dominican Republic it is my understanding that the Trujillo family formerly had 55 percent of the acreage, and 60 percent of the milling capacity, is that approximately correct?

Mr. MYERS. Yes, sir; that sounds correct.

Senator DOUGLAS. So that the Dominican Republic is given a 300,000 for basic quota, and 150,000 extra for a total of 450,000. Thus, total subsidies would be just short of $20 million of which about $11 million would go to the mills formerly owned by the Trujillo family, now owned, I believe, by the government.

Mr. MYERS. I believe so.

Senator DOUGLAS. And that the $22 million extra subsidy which the House slipped in yesterday would be distributed in approximately these proportions.

Mr. MYERS. Yes, sir, about 30 percent to South Puerto Rico, about 8 percent, I believe, to Vicini, a small private interest, and the rest to this government corporation.

Senator DOUGLAS. And this is in addition to the basic and supplemental quotas?

Mr. MYERS. That is correct.

Senator DOUGLAS. Let us take up the South Puerto Rico Sugar Co., which owns La Romana, is that true?

Mr. MYERS. That is right.

Senator DOUGLAS. My information is that La Romana produces approximately 20 percent of the Dominican crop, is that correct?

Mr. MYERS. About 30 percent, I believe.

Senator DOUGLAS. Thirty.

Well, the mills—my figures are that it produces 20 percent, that it crushes 32 percent.

Mr. MYERS. You are undoubtedly correct, and I stand corrected. I was thinking of its milling production.

Senator DOUGLAS. Yes.

Mr. MYERS. And I do not——

Senator DOUGLAS. I wanted to give it on both bases. If it is 20 percent, then La Romana will make approximately $4 million plus $4,400,000 on the $22 million bonus, given yesterday.

On a 30 percent basis it would make approximately $6 million and $6.6 million, isn't that true?

Mr. MYERS. Thirty percent of that would be about $6.6 million.

Senator DOUGLAS. That is right.

Mr. MYERS. To the refiners.

Senator DOUGLAS. Those are handsome bonuses, aren't they?

You can afford to hire some very efficient lawyers for that sum.

Now let us take Nicaragua. Am I correct that Nicaraguan Sugar Estates has about 24 percent of the acreage but grinds 61 percent of the sugar?

Mr. MYERS. Senator, I am sorry to be ignorant about the Nicaraguan industry. These figures have come to my attention a few minutes ago. They agree with what I have known generally about the countries. I could not speak authoritatively, however, on these individual company figures.

Senator DOUGLAS. If they are not correct, I would ask to have anyone who challenges these make the corrections for the record.

My information also is that Nicaraguan Sugar Estates grinds 61 percent of the cane.

Mr. MYERS. I believe that is correct; yes, sir.

Senator DOUGLAS. They were given 30,000 tons basic and this amounts to a subsidy of approximately $1,680,000. So that the Nicaraguan Sugar Estates on the basis of landownership would get a quarter of this or $250,000.

On the basis of grinding it would receive approximately a million dollars.

Now, I see the name of a very famous family here, the Somoza family, which is credited with having 14 percent of the landownership but grinds 27 percent of the sugar.

So these ratios would be about one-seventh and one-quarter. One-seventh of the land basis would be a subsidy of approximately $240,000 a year. On the basis of milling capacity it would be about $420,000 a year.

Does this agree with your knowledge?

Mr. MYERS. Yes.

Senator DOUGLAS. I believe a member of this family is President of Nicaragua.

Mr. MYERS. I believe that would be so.

Senator DOUGLAS. And another member of the family is Ambassador from Nicaragua to the United States.

Mr. MYERS. That I don't know.

Senator DOUGLAS. Well, we can inquire. Is there a representative of the State Department here?

Mr. MARTIN. Yes, sir.

Senator DOUGLAS. Is a member of the Somoza family Ambassador to the United States?

Mr. MARTIN. I believe his family is—a member of the family. I don't think that he is.

Senator DOUGLAS. His name is Sacasa Somoza?

Mr. MARTIN. Sevilla-Sacasa, that is right.

Senator DOUGLAS. So by marriage he is connected with the Somoza family.

Mr. MARTIN. His wife, I believe, is a sister of the present President of Nicaragua, whose name is Luis Somoza.

Senator DOUGLAS. What about Guatemala, which is assigned 20,000 tons or a subsidy of approximately $1,120,000?

Do you know about concentration of ownership or milling capacity there?

Mr. MYERS. I do not, Senator, I regret to say.

Senator DOUGLAS. I hope this information can be collected.

In Ecuador my information is that there are only four mills, the largest mill has a grinding capacity of 53.5 percent of the national capacity. Ecuador has been assigned 30,000 tons, or which will be a subsidy of $1,680,000, or possibly a subsidy to this mill of around $800,000 a year.

As our figures come in I will try to include more of them.

Now, Mr. Myers, you have studied the sugar situation over the world.

Mr. MYERS. I have tried to, to some slight extent, Senator.

Senator DOUGLAS. I believe you are acknowledged to be one of the great world sugar experts. Your modesty compels you to deny that.

Mr. MYERS. Thank you for that compliment.

Senator DOUGLAS. When the Cuban quota was reassigned in the summer of 1960, and that amounted, did it not, to a windfall to the countries which received the previous sugar quota.

Mr. MYERS. Yes, Senator.

We are able to take in, of course, only sugar that had been produced for the world market over and above the quotas that they had produced for us.

Senator DOUGLAS. But is it not true that taking the world as a whole, there were approximately 10 million tons of sugar in storage?

Mr. MYERS. That is correct, and so far as I can recall and thank you for reminding me of the figure; I had forgotten it.

Senator DOUGLAS. And what happened, therefore, was that sugar produced at one price level, a low price level, now suddenly became worth almost twice that amount.

Mr. MYERS. That is correct.

Senator DOUGLAS. And a complete windfall of approximately $150 million, therefore, went into the pockets of either the sugar speculators, sugar storage men, or sugar producers.

Mr. MYERS. Yes. It would be about at that annual rate. Actually, of course, we stopped taking sugar from Cuba in July 1960, and the reduction in the Cuban quota was only 700,000 tons that year, so to that extent it was a smaller amount.

Senator DOUGLAS. This was continued in the act which Congress passed last year?

Mr. MYERS. That is correct.

Senator DOUGLAS. Now, we hear a great deal about aid to Latin America.

Who got this windfall in 1960? Did the poor peasants down at the bottom get the windfall or did the big landowners and sugar mill owners and speculators get the windfall?

Mr. MYERS. Senator, we have, at your request, a year ago, undertaken to make some little survey of that. The information that we are able to assemble, I think, you will agree, was most inadequate and unsatisfactory. It seems to me that there are perhaps more facts per square inch in the statistical table that you have just discussed than in all the reams of paper that we submitted to you.

Senator DOUGLAS. Just to refresh your memory, in 1959 our information is that field hands in Peru received between $1.20 and $1.80 a day.

In 1960 they went up to $1.35 to $2, an increase of only about 15 to 20 cents.

In 1961, from a—from $1.50 to $2.25, an increase of 30 cents over the past. My figures also indicate that the W. R. Grace & Co. pays a daily wage to cane cutters of $3 per day.

But on the whole, the increase was not great.

Mr. MYERS. Certainly in terms of U.S. wage levels they were very small, that is correct. They are still low.

Senator DOUGLAS. I believe the increase came to from 2 to 3 cents an hour.

Mr. MYERS. I think that is correct.

Senator DOUGLAS. Our information is that in Haiti the basic pay in 1961 is 81 cents a day, about 9 cents an hour, although Hasco may pay about $1.80 per day; Costa Rica $1.13 a day, assuming they have an 8-hour day there, which they may well have, about 14 cents an hour.

This has remained steady.

It is the same in 1960 and 1961 as in 1959.

In the Dominican Republic, it remained steady at $1 a day, in 1959 and 1960, but did increase to $2 a day in 1961.

Then——

Mr. MYERS. May I interrupt you, Senator?

Senator DOUGLAS. Yes.

Mr. MYERS. For just a moment.

Senator DOUGLAS. Yes.

Mr. MYERS. The increase in 1961 was, came, when the new Government took over and it was an action of the new Government and had no relation to our sugar program.

Senator DOUGLAS. Yes.

My information is that in Mexico the basic wage of field hands has remained unchanged. In 1959 it was $1.60 a day, which would be 20 cents an hour, assuming an 8-hour day; in 1960 it was identical; in 1961 it was identical.

In Nicaragua there was an increase from $1.42 in 1959 to $1.70 in 1960, to $2.13 in 1961.

In the Philippines it was 95 cents a day in 1959, falling to 84 cents a day in 1960; 91 cents a day in 1961, or 4 cents a day less at the end than it was 2 years before.

Mr. MYERS. Senator, in the case of the Philippines, those figures translated into U.S. dollars would reflect, I presume, the variations in the value of the Philippine peso.

Senator DOUGLAS. That may well be.

Mr. MYERS. I would assume, therefore, that——

Senator DOUGLAS. The point I am trying to develop is this: Here we have a huge windfall of $150 million a year which has been paid for 2 years, and which the House now proposes should be continued for 4½ years, and expanded, as a matter of fact.

Now, such evidences as I have been able to collect are that very little of this trickles down to the workers on the plantations.

Mr. MYERS. Well, I think your statistical information is quite conclusive on the countries that you have cited, Senator.

Senator DOUGLAS. What happened was that in most cases the big landowners, who generally were also the big millowners, got these sums of money.

Mr. MYERS. Except to the extent that it was reflected in wages and, in some cases, in taxes.

Senator DOUGLAS. Yes.

I am a supporter of the Alliance for Progress, and I shall continue to be a supporter of the Alliance for Progress, because I think this is an effort to get the benefits down to the people.

But I think it is evident that this sugar program does not appreciably help the people when it is done. In large part it helps the already wealthy group of landowners.

I spent a little time in Latin America last December, and I tried to collect information on this subject.

Would you say that this observation is far from the truth: namely, that on the whole the wealthy plantation owners in Latin America do not invest their rents and profits to any appreciable degree in their own country, but send them abroad for safekeeping?

Mr. MYERS. Senator, I would have no firsthand knowledge of that. I would hope that your statement would be somewhat of an overstatement; I would hope so. There is progress going on down there in some of those countries, we all know.

Senator DOUGLAS. I have found very reputable students of this subject who say that virtually all the profits made by the landowners, not consumed in luxury by these landowners, are deposited abroad and not used for the development of their own countries. They are deposited notably in Switzerland; that is, they go into numbered accounts, and are hidden from public view.

Mr. MYERS. Well, Senator, I think we do have to recognize that after the experiences, such as we had down here in Cuba, where we certainly thought that was safe for capitalism, that people in countries that are likely to have their properties taken over do have to do what they can to protect themselves.

Senator DOUGLAS. But those very actions strengthen the Communists and make the turnover more probable.

Mr. MYERS. Unfortunately, that is correct, sir.

Senator DOUGLAS. And you have this group more intent on saving their own individual skins and their own individual fortunes than in building up their own country or protecting their economic system.

Mr. MYERS. That is simple, elementary economics.

Senator DOUGLAS. What?

Mr. MYERS. I say, that is simple, elementary economics, and I think it is undeniable.

Senator DOUGLAS. Now, they say: "If you take this $150 million away from us, you destroy Latin American friendship and turn the people against you."

Isn't that what they are arguing?

Mr. MYERS. Well, that goes over into another field that I would rather leave to someone else.

Senator DOUGLAS. Do you think that these countries have a vested interest in the windfall which we give them; that is, a legal vested right, put it that way?

Do they have a vested right in the windfalls which we gave them?

Mr. MYERS. Senator, on that score, I can speak with some studied background. I listened most intently to the debates, and certainly we have addressed ourselves to the laws of Congress in trying to make it clear, and in our own actions and publications we have meticulously been trying to emphasize that the reallocations of the Cuban quota were not permanent quotas. They were simply temporary reallocations.

As a matter of fact, we have invented some sort of screwball wording of nonquota purchase authorizations to try to emphasize that this is not a permanent right. But still we get the criticisms as Secretary Murphy pointed out this morning, if you go from a temporary one to a lower one or do not have a temporary one come quick enough.

Senator DOUGLAS. I was denounced from one end of Mexico to Panama last year and declared to be an enemy of the Latin American countries, which I certainly do not regard myself as being.

This is a gratuity which we have paid, a very unwise gratuity, a sum not going to the people but in large part to a relatively restricted group.

It does not further democracy. Quite the contrary. This selfish group is now demanding that it be continued, and they are trying to make out the United States as an enemy of the Latin American people, which we are not, and this is the tragedy, that the sums which most of these people refuse to invest in their own countries have to be made good by the American taxpayer through the Alliance for Progress, and we are being called in to make good the failure in the faith of these people in their own nations.

Perhaps you do not want to answer that question.

Mr. MYERS. I should prefer not to.

Senator DOUGLAS. I will let it stand for the record.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. I will try to be as brief as I can.

The Sugar Act now is operated at a profit to the Treasury of the United States, is it not?

Mr. MYERS. The processing fees, fees from the processing tax of $10 per ton, Senator, do exceed our Sugar Act payments by an average over the years of about $18 million a year, as I recall.

Senator CURTIS. Now, is that the entire cost of operating the Sugar Act?

Mr. MYERS. That includes the Sugar Act payments and the administrative expenses for administering the sugar program, yes, the entire Government cost.

Senator CURTIS. When the consumers of the country buy sugar, the price they pay is the entire cost, is it not?

Mr. MYERS. Yes, sir.

Senator CURTIS. There is no part of the price of sugar paid either by the housewife or the industrial users that is paid by the U.S. Treasury?

Mr. MYERS. No, sir.

Senator CURTIS. The House bill provides for the domestic producers receiving 63 percent of the growth factor. What proportion do the domestic producers receive under existing law?

Mr. MYERS. They received about 55 percent of the growth over 8,350,000 tons. They received approximately 53 percent of that basic tonnage.

Senator CURTIS. Now, when did we go to the 55 percent?

Mr. MYERS. In 1956, if my memory is correct.

Senator CURTIS. What was it before that?

Mr. MYERS. The fixed quotas remained in effect until January 1, 1956, Senator. So that they were fixed for your beets at 1,800,000 tons.

Senator CURTIS. So back at that date was the first time the domestic producers shared in the so-called growth factor?

Mr. MYERS. That is correct.

Senator CURTIS. Isn't it true that increased production by reason of advances, technological advances, and improvement in fertilizer and seed and farming operations used up that 55 percent?

Mr. MYERS. They have run, the expansion as a result of improved yield per acre is generally credited to be, as much as 50,000 tons a year; yes, sir.

Senator CURTIS. What is the anticipated advance in increased yield expected to be in the next 5 years over the life of this bill?

Mr. MYERS. We have assumed, sir, that it would be comparable with that of the past or around 50,000 tons.

Senator CURTIS. You have taken into account in estimating that the increased basic quota and the increase in the growth factor up to 63 percent, you have taken into account the fact that present acreage will increase its yield?

Mr. MYERS. Yes, sir.

Senator CURTIS. In estimating that you have estimated that the proposal would provide for one new sugar plant a year?

Mr. MYERS. Yes, Senator. The assumption is that you will have about 75,000 tons a year increase in the beet quota; that the increase as a result of increased yield per acre will probably average on a trend line of around 50,000 tons.

There is always some dropping out, some changing, so that it is assumed that will take care of perhaps 25,000 tons, so that you can have a new mill and not have to cut down significantly at least——

Senator CURTIS. You would not have to punish anybody for their increased production?

Mr. MYERS. That is our hope; yes, sir.

Senator CURTIS. And still have a minimum 50,000-ton increase?

Mr. MYERS. That is the computation and expectation; yes, Senator.

Senator CURTIS. What looks like would be the expansion of domestic cane production on the mainland?

Mr. MYERS. Senator, we have had a bit of an explosion in Florida in the past 3 years, very largely this past year, going from 3 to 11 mills, and the acreage last year was 61,000 acres. This year I think it is going to be around 135,000 acres, so it is going up very, very sharply.

In Louisiana there was a slight increase. It is assumed, as Secretary Murphy pointed out this morning, that we will have to institute acreage controls in the mainland cane area. But we hope not to have to cut acreage back seriously.

Senator CURTIS. Is any expansion allowed for cane in either the administration bill or the House bill?

Mr. MYERS. The administration bill and the Senate bill would allow, if our forecasts are correct, for about 25,000 tons a year increase for the mainland cane area.

Senator CURTIS. Was the reason that the risk could be taken for building new plants in Florida during this period when we had no permanent legislation the fact that the risk could be taken to build new plants there? Was that due to the fact that they were building the type of plant that could either process the mainland cane or the raw sugar from abroad?

Mr. MYERS. No, sir. It was—well, it started out with the U.S. Sugar Corp.'s plans to add a new plant—it is a long-established firm—and it could use one for efficient processing purposes. And from there a wildfire occurred, and cooperatives started.

There was some Cuban capital over here that wanted to get into the sugar business, expatriates from Cuba, feeling that they knew how to produce sugar, and that here was an opportunity for continuing in the line of production that they were interested in and knew.

It was, frankly, a sheer gamble that the Congress might come along later and give them a quota so that they could market their sugar.

Senator CURTIS. Do you anticipate an increase or decrease in the per capita consumption of sugar?

Mr. MYERS. Senator, from all indications that we have, the per capita consumption is extremely stable at approximately 103 pounds raw value per capita. There are some little fluctuations from year to year one way or the other in distribution, but apparently the total consumption is right on that trend line and we do not know how to change it.

Senator CURTIS. The present trend in diets and weight control and that sort of thing is not a significant factor?

Mr. MYERS. Seemingly has had no measurable effect.

Senator CURTIS. What portion of the sugar is used in manufacturing as compared to the portion that is used directly by the housewife?

Mr. MYERS. Approximately 70 percent now for manufacturing and 30 percent for the housewife, which, I might say, is almost exactly the converse of the prewar situation.

Senator CURTIS. It is definitely the converse of when the Sugar Act was written.

Mr. MYERS. Definitely so.

Senator CURTIS. If either the House bill or the administration bill, which I understand is the Senate bill, were enacted, so far as the domestic production is concerned we would still be importing 40 percent of our sugar needs, would we not, a little more?

Mr. MYERS. Approximately that, yes.

Senator CURTIS. Do you know of any other product, agricultural or nonagricultural, that we have the capacity to produce where, by law, that portion of our consumption is mandatorily given to foreign countries?

Mr. MYERS. Well, Senator, the question, I think, is a little broad for me to answer.

We do, as you know, have two agricultural commodities we produce in quantity of which we are major importers. Sugar is one and wool is the other. We do have a wool program to expand our domestic wool production, but we have not, as I understand it, gotten up to the objectives of that act.

Here there is a problem, as Secretary Murphy pointed out——

Senator CURTIS. Before you leave the wool, what is the objective on wool?

Mr. MYERS. I have forgotten the exact figure that was in the act. I would have to check it, Senator. I can do so.

(The following was later received for the record:)

DOMESTIC PRODUCTION GOAL UNDER THE NATIONAL WOOL ACT OF 1954

The National Wool Act of 1954 established an annual domestic production goal of 300 million pounds of shorn wool, grease basis. The average domestic mill consumption for the years 1957 through 1961 was 551 million pounds domestic greasy shorn equivalent. Thus, the established goal of the National Wool Act is 54 percent of the recent average annual mill consumption. Domestic production of shorn wool in 1961 was 261 million pounds or 87 percent of the goal of 300 million pounds of domestic production.

Senator CURTIS. Would you supply it?

Mr. MYERS. I would be delighted to do so.

But in the case of sugar here, we do have to balance the interest of the refiners who use foreign sugar against the interests of the domestic growers and mills. We have to balance the interests of our export producers, such as our wheat producers, against the interests of our domestic sugar producers.

Senator CURTIS. Well, now, as representatives of the Department of Agriculture, do you regard the sugar production as a part of the overall agricultural picture here?

Mr. MYERS. Oh, certainly; yes, indeed.

Senator CURTIS. You have had no producers of any other commodities, such as wheat, asking you to restrict the production of sugar under the very doubtful hope that they might be able to trade wheat for sugar in some other country, have you?

Mr. MYERS. No, Senator. There has been a great deal of effort made, of course, to work out bilateral trade exchanges.

Senator CURTIS. But wouldn't it be fair to say of those groups—and I am familiar with what the wheat people want—that they say, "if we are to import sugar"—and they realize that considerable sugar will be imported, they would like to have wheat traded for it, if possible, is that correct?

Mr. MYERS. That is correct; yes.

Senator CURTIS. But you have no pressures from other branches of agriculture to deliberately hold down the production of sugar in this country?

Mr. MYERS. No, Senator. Each enterprise, so far as I am acquainted, is interested in pushing its own particular objectives, when you get into multilateral trade and foreign trade, the relationships get a little bit intangible——

Senator CURTIS. I understand.

Mr. MYERS (continuing). And, therefore, you do not see these direct pressures.

Senator CURTIS. There are areas domestically that are seeking the opportunity to produce sugarbeets that are now raising crops in surplus; that is true, is it not?

Mr. MYERS. That is correct.

Senator CURTIS. And, in fact, that is true of almost every area.

Mr. MYERS. It is true in many areas.

Senator CURTIS. Yes. Now, the production of sugar at the present time is a very important factor in the economy of Nebraska. It is important to our farmers, it is important to our processors.

I want a program that will preserve and protect what they have now. I do not want to jeopardize it. I do not want it to end there.

I feel that it is very much in the interest of our individual farmers, of our communities, and of the whole overall agricultural picture that we have an increased production.

I realize that this increase must be orderly, that it would be wrong to hastily cause or even hold out a hope that plants could be built where it would be unwise to build them or economically it would not be feasible.

What I want to ask you is, is there anything particularly magic above five new processing plants in the next 5 years?

Mr. MYERS. No, Senator. I think there is nothing magic about it.

Senator CURTIS. It cannot be defended as the right number rather than four or six or seven?

Mr. MYERS. I would not know how to go about that, except I would say that you do have a balancing of these forces, and this was worked out with a great deal of effort to try to get a total that the various groups could live with and still allow something for expansion that did not constitute too much of a threat to the old established growers.

Senator CURTIS. I understand that, and I do not impugn the motives or the intentions of anyone who has entered into the deliberations.

The people who now are processing offshore sugar or processing domestic sugar or existing growers we, at least, know they are and can be invited to a conference to at least discuss it.

Those who are not sharing in the production or processing at this time, we do not know who they are, and it is not possible to invite them into a conference, is it?

Mr. MYERS. That, unfortunately, is correct. We have made some efforts to get them.

Senator CURTIS. But you would recognize that the Congress had a responsibilty to those people?

Mr. MYERS. Yes, Senator. We have even recognized that we have a responsibility administratively to get those voices heard, and we have made efforts to invite them.

But, as you say, it is difficult to get somebody when you do no know who he is.

Senator CURTIS. And he does not start out from the same premise in the give and take conversation either.

Mr. MYERS. That is right.

Senator CURTIS. The administration bill is predicated upon a basic consumption of 9,850,000 tons?

Mr. MYERS. 9.7 million now, and growing at about 160,000 tons a year; some people would say 150,000 tons. There is no purpose in arguing over——

Senator CURTIS. About 9,850,000—9.8 million in 1963.

Mr. MYERS. That would be about it.

Senator CURTIS. For 1963 it would be about 9,850,000?

Mr. MYERS. Presumably that.

Senator CURTIS. That is based upon an importation of 40 percent.

The difference between an importation of 40 percent and 39 percent is 1 percent. You start scattering that 1 percent all over the world, and it does not create a great deal of prosperity or make very many people happy. But 1 percent of 9.850,000 would be 98,000.

Mr. MYERS. It would be substantially 100,000 tons.

Senator CURTIS. It would be substantially 100,000 tons.

Mr. MYERS. That is right.

Senator CURTIS. And you estimate that 50,000 tons are about the right amount for a new plant?

Mr. MYERS. That is correct.

Senator CURTIS. So a variation of the 40 percent to be imported from foreign countries, and counting our possessions and offshore islands as domestic, to change that 40 to 39 could add a couple of plants to this country.

Mr. MYERS. That would be correct.

Senator CURTIS. Are you prepared to say there are only five areas that it would be economically feasible and which are ready to go now in the support of a sugar plant in the beet area?

Mr. MYERS. No, sir; I would not want to debate that subject, in the least.

Senator CURTIS. Well, my point is that I think the Congress could err on both sides. I think we should go so far as to insist on domestic production that would lead into some problems, but I think we could hold it down to a point where it, administratively, would create some very difficult burdens as well as being unfair to some sections of the country, and if I can digress for just a few seconds, we had an incident in my home community back in World War II days when everything was rationed, including shoes.

There was a mother of twin boys, they were at the growing age, they were outgrowing their shoes, they were kicking them out and so on, and she had no more ration stamps.

She appeared before the ration board and told her story, and they deliberated awhile, and then for these twin boys they voted to allow ration stamps for one pair of shoes.

That is what could happen here if this domestic expansion is sliced too thin.

Senator MORTON. If the Senator would yield, he could have sent the boys to Kentucky and he would have no need for shoes. [Laughter.]

Senator CURTIS. That is right.

Senator BENNETT. Or he could have sent to Kentucky for some more ration stamps. [Laughter.]

Senator CURTIS. Now, I was interested in a suggestion for language that would clarify the status of the quota for an area that Senator Kerr and Senator Anderson spoke of, that would fix it so it would be definite and could be relied upon.

Under existing law, how is it determined as to what processing plant shall receive the marketing quota?

Mr. MYERS. Senator, the marketing quota under the present law goes to processors on the basis of three named factors in the law: Past marketings, ability to market, and production from proportionate share beets or cane.

Senator CURTIS. What is that last one?

Mr. MYERS. Production, you may say.

Senator CURTIS. Available production in the area.

Mr. MYERS. Past production, current production. Those three factors.

Now, the courts have indicated that we have some slight leeway in interpreting them. But we have always taken a recent average, for past marketings. We have usually used the highest recent year's experience for demonstrated ability to market, and we almost always use current production for this last figure.

Senator CURTIS. How are you going to apply that to an area that is not served by a processing plant now, and we will assume that it is an area where there is considerable sugarbeet production, but they are paying extra freight to get it out, at least enough to demonstrate ability to produce, and have over a period of years? Is there anything in this law, this proposal, to enable you to select a processing company and to give them a marketing quota? There would be no past marketing in the new area. Their ability to market could be shown and, of course, the current production in the area probably would be taken care of by this amendment.

Mr. MYERS. The current production—and I might say under the additional amendments that Senator Kerr and Senator Anderson are discussing, there would also be a specific reference to authorization to take into account the ability of these new plants to market.

Senator CURTIS. In other words, it would be proper then to make a request, if it is not already made, that in this language you submit that there would also be sufficient language submitted to this committee that would make it possible to grant a marketing quota.

Mr. MYERS. That is what they are working on now.

Senator CURTIS. The question I am about to ask is for information only and has no relation to any company or anything else. Would that marketing quota have to go to any existing company?

Mr. MYERS. No, Senator. There would be no need under this language for it to go to any existing company.

Senator CURTIS. I have no reason to raise any word against an existing company. I was just thinking over all the United States there might be an area where the other factors were favorable to the sugarbeet industry, but that they could not wait for someone to expand.

Mr. MYERS. I might say that there is at least one area that I know of where farmers are thinking of organizing a cooperative.

Senator CURTIS. Understand, I am not trying to argue the merits or to promote that, but I do think the law should be clearer so that existing processors or whoever is logical and could do it, to get a marketing quota and not be prevented therefrom because there was no past performance in the area it is going to serve.

Now, in determining the feasibility of or the appropriateness of a new area, what are the factors that ought to be taken into account? I assume that proven ability to produce beets is one?

Mr. MYERS. Senator, I would think that efficient production of beets would be one of the most important factors to be given consideration.

We have observed that wherever the grower is not able to grow efficiently and make a profit competitively, he tends to go out, and the factory has trouble. So that certainly ability of the growers to produce would be a prime factor and, presumably, this law is written for farmers, so certainly it should be written for the farmers who have an ability to produce.

Senator CURTIS. What other factors would there be?

Mr. MYERS. Well, the desire to grow would certainly be in there. In other words, you have many areas that could grow sugarbeets in this country, where they have the ability to grow other crops, some, like in the Corn Belt area, where they could grow sugarbeets, but under normal conditions they would prefer to grow corn or some other crop.

Senator CURTIS. Are there any other factors?

Mr. MYERS. Well, of course——

Senator CURTIS. Would there have to be a request from the processing company?

Mr. MYERS. In the final analysis you would have to know there was going to be a plant put up there, and not just talk about hopes, but actually something specific.

Senator CURTIS. Sort of a readiness to build a plant.

Mr. MYERS. Exactly, and to commit capital in the building of that plant.

Senator CURTIS. Based upon your wide knowledge of the sugar industry, Mr. Myers, what are some of the things that the processing company would have to look to to determine whether or not an area was desirable?

Mr. MYERS. Well, I would think they would have to look at the same things. They could speak more intelligently about this.

Senator CURTIS. They would be interested in production and whether or not the farmers——

Mr. MYERS. They would have to look at the basic production, ability of the growers, the willingness of the growers to plant sugarbeets rather than other crops; the dependability of the area year-in and year-out as to water supplies and labor supplies, and what would happen if the prices of some of our other crops went up relative to sugarbeets.

They would have to look at their own mechanical problems, and finally at their marketing problems. How far do they have to ship the sugar before they can find a market.

Senator CURTIS. That is what I was coming to, the nearness to a market for the sugar.

Mr. MYERS. That, presumably, would be one of the factors.

Of course, sugar is a rather expensive product and, therefore, can stand a good deal of shipping. But shipping is costly and, naturally, the farther they ship the lower the returns.

Senator CURTIS. Where is most of the beet sugar marketed?

Mr. MYERS. In the Chicago-west territory, sir.

Senator CURTIS. Chicago and west?

Mr. MYERS. Chicago and west, Chicago to the Pacific coast.

Senator CURTIS. Where is most of the Hawaiian sugar marketed?

Mr. MYERS. In the same area.

Senator CURTIS. Is Hawaiian sugar shipped as far east as Chicago?

Mr. MYERS. Yes, sir.

Senator CURTIS. Are you familiar with freight rates, in general?

Mr. MYERS. I have forgotten what the freight rate is from San Francisco to Chicago, sir. I am sure some Hawaiians are here to give it.

Senator CURTIS. But the freight from Kansas or Nebraska or Colorado to Chicago would be less than the freight from Hawaii, would it not?

Mr. MYERS. I believe it would; I am sure it would.

Senator CURTIS. The expansion in the beet sugar would likely come in the Western States or Chicago, and some little distances of that?

Mr. MYERS. Senator, there is expansion, there is a growth of the western market, with the tremendous expansion in population and manufacturing out there, it is true. But also as the production of beet sugar has been increasing in the last 2 years, it has had to push progressively farther eastward, and they have also had to push harder on their Chicago-west markets to take a larger percentage of the total for themselves and push out cane sugar.

Senator CURTIS. But the Pacific States are more than self-sufficient.

Mr. MYERS. Oh, yes.

Senator CURTIS. Without Hawaiian——

Mr. MYERS. Without what?

Senator CURTIS. Without Hawaiian sugar.

Mr. MYERS. Well, Senator, Hawaiian sugar is a part of California. It has been there for many, many years.

Senator CURTIS. Yes; I understand.

Mr. MYERS. And, frankly, I just do not have in mind any computations with Hawaiian sugar out of that area.

Senator CURTIS. I see.

To what extent has the pattern of trade and the economics of it determined the sale of sugar in the Southern States? Is that predominantly a cane area?

Mr. MYERS. The Southern States, yes, Senator, from southeastern Texas where we have one refinery, over to Louisiana, where we have a whole group of refineries, and on over to Georgia where we have one large refinery that handles a large part of the Florida sugar, that is all a cane area, and very little beet sugar gets down into there.

Senator CURTIS. How wide an area do they have, Mr. Myers, the predominant place in the market?

Mr. MYERS. Well, it is predominant in the South and eastern portion of that area. As you go north and westward, they come progressively more into competition with beet sugar from the Rocky Mountain States, and then the Chicago territory, of course, is a great com-

petitive ground for all sugar, especially from the Gulf States and from the West.

Senator CURTIS. Is cane competitive in the Southwest?

Mr. MYERS. Yes, sir. It is competitive throughout the West from California, and it is competitive, of course, in the Southwest from the Sugarland Refinery in Sugarland or Imperial Refinery in Sugarland, Tex.

Senator CURTIS. Would you say cane has the predominant position throughout Texas?

Mr. MYERS. Not throughout Texas. I would say in the southeastern portion of Texas, as I recall the area. I have forgotten exactly where the breaking point comes. Of course, it is not a sharp dividing line.

Senator CURTIS. I understand.

Mr. MYERS. It is a gradation from one to the other, and I would much prefer to have some of these people in the sugar trade who really know this area discuss it than to discuss it myself.

Senator CURTIS. I hope they will, too. But I feel that there should be something in the record on this, and I appreciate your answer very much.

Now, a question or two about Cuba. What was Cuba's permanent quota prior to the Communist takeover down there?

Mr. MYERS. It was—their quota was about 3,200,000 tons It varied, of course, with our total requirements. But at our present level of requirements it would be exactly 3,200,000 tons.

Senator CURTIS. If their Communist government was ousted, would they immediately be able to resume that?

Mr. MYERS. Depending upon their production. But presumably they would not get down below that level. After all, their production has been all the way up to 7½ million tons.

Senator CURTIS. 3.2 million is not the production but the amount we have been buying.

Mr. MYERS. That is the amount we have been buying.

Before the Communists took over they had a market in the United States for approximately one-half of their sugar. They used a minor quantity themselves and the rest they shipped to the world market.

Senator CURTIS. My question is, then, is it your best judgment that if they ousted their Communist government they would be in a position to right off export to the United States 3.2 million or would it take a little time?

Mr. MYERS. Under the administration proposal, sir, the quota for Cuba would be 2,585,000 tons. That would be less than half of what her former production was.

Senator CURTIS. 2 million what?

Mr. MYERS. 2,585,000.

Senator CURTIS. That is your recommendation now that we fix the quota?

Mr. MYERS. That is correct.

Senator CURTIS. Do you think that could be reached immediately?

Mr. MYERS. I would assume so. This year, I might say that our information about Cuba is very inadequate and uncertain. But trade reports indicate that they have produced something like 4.5 million tons this year so far, and even the pessimistic estimates for next year do not go down as low, down below, 3 million.

Senator CURTIS. Perhaps the State Department should be asked this, but I would like to get the views of the Agriculture Department anyway. I think everyone is anxious to promote as much friendship around the world as we can. We may disagree as to how that is done. But is it the opinion of the Department that it is wise to definitely fix a quota in the law for a far-removed foreign country, unless this country expects to more or less permanently hope to rely on that source?

Mr. MURPHY. The answer to that is "No," Senator. We do not regard this as a wise thing to do.

Senator CURTIS. When you buy sugar at the present time under the regulations that were promulgated since the Communist takeover in Cuba, do you feel that is being handled in a way that it is not a commitment from the United States that the seller has a right or a fixed quota or a fixed interest in our consumption for future years?

Mr. MURPHY. Well, we certainly would say that they have no vested right on any thesis or any theory beyond the 30th of June, which is almost here.

It is true that the law that is in effect until the 30th of June has prescribed a number of formulas, standards to be followed in reallocating the Cuban quota.

I think it is also true that the law itself has always indicated that this was to be regarded as something temporary. But it is true at the same time that a good many of the countries that have been getting these allocations are now saying that they have been built already into their sugar economies. I do not believe they say there is any vested right in a legal sense, but they say that this has been built in in an economic sense, so that if you take it away that you cause great damage.

Now, the longer this goes on the more validity this argument might have and the stronger, I think, we could expect it to be pressed upon us.

Senator CURTIS. Now, would you comment upon that problem if the administration bill were adopted. Your procedure for acquiring sugar abroad, would that also, if it did not establish a legal vested right in a market, would it create the same hopes for the vested right and the same pressures from abroad?

Mr. MURPHY. Generally speaking, I see no reason why it should. I will try to come to the exceptions. But, generally, I think the answer is there is no reason why it should, because the general rule would be that all exporting countries would have an equal chance at the American market.

Now, the exceptions are the Philippines, the permanent quotas of the countries that would go through a phasing out period, and another possible exception, of course, is Cuba if during this 5-year phasing out period they resumed diplomatic relations with the United States; and in that case they would fall into the phasing out pattern, and would have a right to a quota premium to that extent during that period.

But I think generally we would regard this as a doing away with as much of this kind of vested right attitude at the present time as is feasible, and phasing the rest of it out as rapidly as is feasible.

Senator CURTIS. Now, I sincerely hope that we can get the very best act passed and it become a law by July 1 of this year. It expires the last day of June.

Mr. MURPHY. Yes, sir.

Senator CURTIS. By the last day of June. I think we have an obligation to do so. But what is the situation if we fail?

Mr. MURPHY. If there should be an interval when there is no law on the books?

Senator CURTIS. Yes, sir.

Mr. MURPHY. This, I think, is primarily a technical question, Senator, and Mr. Myers can answer it much more competently than I.

We have talked about this some, this possibility. It is my own feeling that the principal changes would be in the price of sugar, and the short run changes. The domestic price of sugar very clearly is likely to go down, no one knows exactly how rapidly, and there might be some tendency of the world price of sugar to firm up.

But since I think this is an important question, since Mr. Myers is really the authority on this kind of thing, I think it would be useful to see if he has any comments that he feels he properly could make in response to this question.

Senator CURTIS. I think we must pass an act, but I would like to know what happens if we fail in it.

Mr. MURPHY. Is there something you could add to this, Mr. Myers?

Mr. MYERS. Frankly, I think you have answered it very adequately.

I would think that a lot would depend marketwise upon the attitude that Congress was taking.

If the Congress were to indicate that they were through with sugar legislation, there was not going to be any, I think it could have a very sharp effect on our prices.

Senator CURTIS. Would all the authority in the Department of Agriculture over sugar cease?

Mr. MYERS. Well, if the Sugar Act were to expire, yes. Our authority would terminate at that moment. I would say there would be one—we could make payments on this year's crop; yes.

Senator CURTIS. You could make payments on this year's crop?

Mr. MYERS. We could, but we could not stop imports. There would be, I am quite certain——

Senator CURTIS. You could not stop imports?

Mr. MYERS. We could not stop imports.

Senator CURTIS. Could you license it or restrict it in any way?

Mr. MYERS. Well, no, except that Cuban sugar has been stopped by a law other than the Sugar Act, so that would continue.

There would be, I am quite certain, a snapback in the tariff. I have forgotten just what that snapback would be.

Senator CURTIS. What do you mean by snapback?

Mr. MYERS. I think an increase in tariff rates becomes automatic the moment we would stop our quotas. I have forgotten exactly what it is.

Senator CURTIS. Do you know how significant that would be?

Mr. MYERS. I do not recall exactly what it is. It has been several years since I worked on it.

Senator CURTIS. And, of course, the results could be, under certain circumstances, quite chaotic.

Mr. MYERS. They could if it were over a long period of time or if there were a belief that Congress were not going to get at it.

On the other hand, if you are busy holding your hearings and a few days elapse, why, I would say there would not be anything that could not be repaired.

Senator CURTIS. Just for a few days. In other words, if the whole thing were abandoned and reasonable people did not think there would be any Sugar Act, that would be it.

Mr. MYERS. It could be disastrous.

Senator CURTIS. If there was a belief, every belief, that it could be done, but there was a hiatus of hours or days, it would not be significant?

Mr. MYERS. Yes, sir.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. Senator Morton.

Senator MORTON. Mr. Secretary, I am sorry to hold you this long. I notice in this bill passed by the House that among six countries outside of this hemisphere there is a total new quota, basic quota—I am not speaking now of the Cuban division—of 161,000 tons. That amount would supply three mills according to the colloquy we had this morning.

As I understand it, there is no disposition on the part of the administration to push for the creation of 161,000 basic tons outside of this hemisphere?

Mr. MURPHY. There is no disposition on the part of the administration, Senator, to push for any basic quotas for any countries inside or outside this hemisphere other than the limited exceptions we have noted.

Senator MORTON. These were put in by the House. The problem that we encountered in World War II in getting enough sugar was transportation, in addition to the production of sugar. It strikes me as being somewhat shortsighted, regardless of our affection for these countries, to assign these quotas to such far distant lands.

But if we go ahead and put 161,000 tons of basic quota outside this hemisphere we are shortsighted—I have not included the increase in the quota for the Netherlands because the House has written a strange bill indeed.

They have increased the quota for the Netherlands. Then the House put another provision in the bill that says we can accept sugar from no country that is not self-sufficient, and even though the Netherlands have been making some use of their 3,700 ton quota they have from this country, they are not self-sufficient in the production of sugar, as I understand it. So the House has given them now an increase to 10,000, and in another section they said they cannot ship a pound. So this, to me, seems to be another thing in the House bill at which we had better take a rather long look.

My colleague from Illinois has made some very good points. He certainly has been a keen student of this situation and his questions to Mr. Myers as to how the sugar economy really works in some of these countries to the south, some of our friendly neighbors to the south.

I noticed the House has included here 100,000 tons for the British West Indies. Frankly, I am a bit more sympathetic to that than I am some of the others because I understand in the island of Antigua, there are 4,000 cane farmers, in Barbados, 16,000; in British Guiana,

1,600. It does not look as good compared to the total number of people in the sugar industry there and the total quota.

Jamaica, 27,000; St. Lucia, which is a rather small island, 700; and Trinidad 11,233.

Mr. Myers, do you think those figures are, so far as your knowledge goes, about correct? In these islands are these lands owned by rather small producers?

Mr. MYERS. It is my understanding that that is correct.

Senator MORTON. I point this out, and I shall probably reserve the balance of this discussion for the State Department witnesses who are to follow, but it is my understanding now that Jamaica and Trinidad are gaining independence. There is the possibility of at least three or four new votes in the Organization of American States as a result of what may happen in the next year or two in these islands. I think Senator Douglas, that in these particular islands you will find that the picture which you developed does not necessarily prevail. I did not want the discussion left with the thought that everything in this field was as gloomy as it had been painted, because I think that in these islands we will find it somewhat different.

I think, Mr. Chairman, any other questions I have had better be addressed to the witnesses from the Department of State.

The CHAIRMAN. Mr. Secretary, I wanted to ask several questions in regard to how the prices are fixed.

The American price, as I understand it, is approximately around 6 cents; is that correct?

Mr. MURPHY. Yes; it is a little over 6 cents, around 6.5.

The CHAIRMAN. Is that delivered? For instance, if you got sugar from the Philippines, would it be delivered to this country?

Mr. MURPHY. That is the delivered price in this country.

The CHAIRMAN. Delivered price?

Mr. MURPHY. Yes.

The CHAIRMAN. And then the world price is something less than 3 cents, 2.7 cents?

Mr. MURPHY. That is correct, between 2½ and 3 cents.

The CHAIRMAN. Does that fluctuate from year to year?

Mr. MURPHY. Both the American price and world price fluctuate from year to year and within the year.

The CHAIRMAN. How do we fix our price here?

Mr. MURPHY. We aim at fixing it, Senator, by regulating the available supply. The effort is to regulate the supply so as to achieve a market price, and this is done by—first by an estimate as to the annual consumption, and then basing the various quotas and allocations on that estimate, and sometimes adjustments during the course of the year are required.

The CHAIRMAN. What have been the fluctuations in the past few years?

Mr. MURPHY. I would like to ask Mr. Myers to answer that question.

The CHAIRMAN. I thought it was 5 cents a little time back.

Mr. MURPHY. I do not think the fluctuations have been that much. I think the price has ranged between 6 and 6½ cents, but I am not clear on it.

Mr. MYERS. Senator, the fluctuation has been very small. Last year it was just over a half cent. In 1961, a year ago, it was eighty-

five one-hundredths of a cent and, frankly, it has been less than a cent a pound every year since 1952.

The CHAIRMAN. Do you have any information as to how much Castro is getting for his sugar now?

Mr. MYERS. Senator, he claims to be getting under his contract with the Communist countries 4 cents a pound, as I recall the debates. However, it is my understanding that that is paid 20 percent in money and 80 percent in barter of goods and, of course, if he has to take 80 percent in Communist goods, you would have to know how the Communists were pricing their goods to know what, if anything, they are paying him. Some of the sugar has been resold by the Communist countries at prices that indicate they do not think it is worth 4 cents a pound. It is vastly lower than that.

The CHAIRMAN. What is your estimate of the loss Cuba is suffering every year now by reason of the fact that we are not buying sugar from her?

Mr. MYERS. Well, certainly they have lost the quota premium that we paid them of $150 million in the last year we bought sugar from them, and that was about half the total price paid. They have been losing certainly $300 million a year from us, I would say, and I might also add that they have lost some of their other capitalistic or free country markets. So that it runs clearly into the hundreds of millions of dollars.

The CHAIRMAN. When Russia buys, does she do it mainly by barter?

Mr. MYERS. It is my understanding of those contracts that they specified the quantity of sugar to be taken by the Communist countries and that Cuba was to be paid 80 percent in Communist goods and 20 percent in money, in dollars, convertible exchange.

The CHAIRMAN. In American dollars?

Mr. MYERS. Presumably convertible currency, which could be American or other. So that would mean, in other words, that they got 80 cents a hundred pounds in money and the rest in trade goods.

The CHAIRMAN. Is any paid for in gold?

Mr. MYERS. I don't know of any paid for in gold.

Senator BENNETT. I have one question.

Mr. Myers, earlier in the testimony this morning an attempt was made to develop a figure indicating the increase in the beet sugar tonnage over the past few years, and as I remember, they got a figure somewhere around 760,000 tons. Do you remember that colloquy?

Mr. MYERS. Yes; between Senator Anderson and myself. And, of course, there has been a rather tremendous increase in the production of beet sugar since the war. Senator Anderson was then Secretary of the Department, as you will recall. Shortly after the war, when to the best of my recollection, our production of beet sugar was slightly below a million and a half tons—you will remember it was very low during the war. Production has come up and, as he indicated, the expectation is that the crop now in the ground will probably produce 2,700,000 tons of sugar.

Senator BENNETT. Looking at it from the point of view of allotment, and going back to the time when we took away the Cuban quota and started on this present program, was it June 1959?

Mr. MYERS. July 1960, as I recall, when we stopped taking sugar from Cuba.

Senator BENNETT. How much has the beet production increased in terms of rate or annual rate? Let's take the whole year 1960, if it is hard to start in July.

Mr. MYERS. This probably will get at the figures, Senator Bennett. And I will read them in round figures. In 1955 we produced 1,797,000 tons. In 1956 we went up to 1,955,000; in 1957, to 2,066,000; 1958, to 2,240,000; the next year to 2,241,000.

Senator BENNETT. Almost the same?

Mr. MYERS. Almost the same.

And then down to 2,165,000.

Senator BENNETT. That is 1960?

Mr. MYERS. That is 1960.

Those are marketings, I am sorry, I thought I was reading the production, they are marketings.

Senator BENNETT. Let's look at the marketings.

Mr. MYERS. In 1961, to continue this, the marketings were 2,607,000.

Senator BENNETT. Now, let's look at this same list. When did the domestic beets begin to pick up shares of the deficits in Puerto Rico and Hawaii?

Mr. MYERS. It came very largely in 1958 and later. That was the huge year.

Senator BENNETT. Now, can you relate the deficits to these figures you have just given me? In other words, how much of this 2,240,000 represented a deficit allotment?

Mr. MYERS. Senator, I would like to check those figures accurately and submit them for the record. It is very—there was a very large deficit, I remember, in 1958, 1959, and 1960. That is what exhausted our beet sugar stocks and ran them down so low, that we had to take off acreage controls.

(The following was later received for the record:)

Domestic beet sugar area production, marketings, and sugar marketing quotas, 1955–61

[Short tons, raw value]

Year	Crop year production	Marketings	Quota		
			Basic	Allocation of deficits	Total final adjusted quota
1955	1,723,161	1,797,325	1,800,000	----------	1,800,000
1956	1,964,757	1,955,252	1,953,952	1,449	1,955,401
1957	2,206,406	2,065,687	1,948,357	122,337	2,070,694
1958	2,212,022	2,239,852	1,998,717	293,771	2,292,488
1959	2,298,427	2,241,165	2,043,480	224,185	2,267,665
1960	2,474,665	2,164,692	2,267,301	247,644	2,514,945
1961	2,427,032	2,607,166	2,177,773	431,397	2,609,170

Senator BENNETT. When you made the statement that there was an increase in this beet sugar allotment or marketings—and I am not sure which the statement covered—of something like 760,000 tons over a period, this included the deficits, did it not?

Mr. MYERS. Yes, definitely so. The opportunity came as a result of the deficits.

Now, there are two different things here. The deficit is a marketing limit. The other is production.

Senator BENNETT. That is right.

Mr. MYERS. Now, last year at this time we all anticipated that there would be a beet crop of around 2,700,000 tons. Actually it turned out, as I recall, 2,450,000 tons.

Senator BENNETT. That is the production against the marketing of 2,667,000?

Mr. MYERS. 2,607,000, yes.

Senator BENNETT. What will happen when these other offshore sources of sugar overcome their deficit?

Mr. MYERS. Well, if you will let your quotas stand where they are today, and the offshore areas should again pick up production, of course you would have to have a very drastic cutback in both beets and mainland cane production.

Senator BENNETT. What is the effect of this bill on the situation?

Mr. MYERS. The effect of this bill, sir, would be to let the beet area pass on forward without a cutback, certainly without a substantial cutback in production. And we would hope that mainland cane also would be able to continue with substantially present acreage, maybe a moderate cutback, but not a disastrous one.

Senator BENNETT. The deficit would come out of the growth, then, if these other offshore countries should suddenly have a good crop and no deficit, the effect of this would be to——

Mr. MURPHY. This would have no effect on the mainland quotas on beets?

Mr. MYERS. That is correct. Secretary Murphy called attention to a very important point. This bill not only increases the current basic quota and the growth factor, but it says that any future deficit would be to foreign countries and not be reallocated to other domestic areas.

Mr. MURPHY. That is to say, any deficit in the Puerto Rico and/or the Hawaiian quotas would be filled by imports.

Senator BENNETT. In the future?

Mr. MURPHY. In the future.

Senator BENNETT. Then the domestic operators have given up in this bill their right to increase their marketings if there are deficits in these two domestic cane-producing areas?

Mr. MYERS. That is right, they have given up the uncertainly of deficits for a certainty of something that will let them continue where they were with a modest growth hereafter.

Senator BENNETT. But looking back at these growth figures, these figures have been created not by increases in firm allotments, but by the right they had to pick up the deficits?

Mr. MYERS. Yes, Senator. And that is exactly why we ran out of controls, we had not been able to forecast them, we didn't know that these deficits were coming, and all of a sudden they hit us, we ran out of sugar and we had to take off acreage controls.

Senator BENNETT. Thank you very much, Mr. Chairman.

Senator CARLSON. I have just one question on this.

Senator Bennett has got into a discussion here about what happens to allocations. And I am looking now at page 2 of the House report, where they have a table which shows the domestic beet sugar, mainland cane sugar, Hawaii, Puerto Rico, and the Virgin Islands, with a total under the present legislation of 5,186,500 tons. In the House

bill that is 5,810,000 tons. The question I want to ask is this: If it develops that these quotas are not fully used in the domestic, the cane or these other areas, will those quotas not be allocated to other foreign producers? Can they not be, and will they not be?

Mr. MYERS. Under the proposed legislation——

Senator CARLSON. Assuming that we don't use them, or any of these people, can you not assign them to other countries?

Mr. MYERS. In both the House and the Senate bills, Senator, the future deficits would be filled by foreign countries, imports from foreign countries, and not be reallocated to other domestic producers.

Senator CARLSON. In other words, if we do not use them, we not only lose them but they are allocated to other countries?

Mr. MYERS. Just on this temporary 1-year basis.

Senator BENNETT. On a year-to-year basis?

Mr. MYERS. Not on a permanent basis.

Senator CARLSON. Thank you very much.

Senator CURTIS. Just one brief question, Mr. Chairman.

Mr. Myers, what is the average production of sugarbeets per acre?

Mr. MYERS. I would rather state it in terms of beet sugar, if you don't mind, Senator. It is about 2½ tons of beet sugar per acre.

Senator CURTIS. And approximately how many beets is that, how many tons of beets? The sugar content will vary.

Mr. MYERS. About 17 tons on the average, I think about 17 tons of beets.

Senator CURTIS. And in producing areas what is the high and what is the low?

Mr. MYERS. Senator, they used to go all the way from seven up to the twenties, occasionally up into the thirties. Most of our producing areas have ranged, I would say at the current time, from around 12- to 20-odd tons per acre.

Senator CURTIS. A low of 12 and a high of 20?

Mr. MYERS. That is about right.

Senator CURTIS. That is exclusive of little patches.

Mr. MYERS. That is right, that is for big major producing areas, generally a lower average yield in the rainfall districts, a higher average yield in the irrigated districts.

Senator CURTIS. The irrigated districts run higher?

Mr. MYERS. Run higher in yields per acre; yes, sir.

Senator CURTIS. And what type of acre runs the highest in sugar tonnage, the irrigated or the nonirrigated?

Mr. MYERS. I don't know of any difference there, Senator. I think it would be more a matter of climate.

Senator CURTIS. A little seasonal fluctuation?

Mr. MYERS. A very great seasonal fluctuation, a rather significant one, yes.

Senator CURTIS. That is all.

The CHAIRMAN. Thank you very much, gentlemen.

(The bill, S. 3290, previously referred to follows:)

[S. 3290, 87th Cong., 2d sess.]

A BILL To amend and extend the provisions of the Sugar Act of 1948, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: by striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 has exceeded the sum of the quota for such area for such year established under paragraph (1) of this subsection and the quota, if any, established under section 203 for such area, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

"(b) For the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(c)(1) For the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

"(2) For the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(3) (A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less seven hundred and nine short tons, raw value, for 1962 and less fourteen hundred and sixteen short tons, raw value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

"Country	
Cuba	88.85
Peru	3.73
Dominican Republic	3.31
Mexico	2.75
Nicaragua	.54
Haiti	.26
Netherlands	.14
China	.14
Panama	.14
Costa Rica	.14
Total	100.00

"(B) For the six-month period ending December 1962, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States a total of fourteen hundred and sixteen short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774).

"(4) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to any country with which the United States is not in diplomatic relations, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of any amount so determined need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest.

"(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that (i) sugar testing in excess of ninety-nine degrees polarization may be authorized for purchase to be further refined or improved in quality in the United States, and (ii) if the Secretary determines that raw sugar is not reasonably available, he may authorize for purchase for direct consumption such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

"(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise

the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he may apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he may apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 6. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e)(1) Not more than two hundred and fifty thousand short tons, raw value, of sugar of proration established for Cuba under section 202(c)(3) for any calendar year may be filled by direct-consumption sugar subject to the provisions of paragraph (4) and (5) of section 202(c).

"(2) The proration established for each foreign country, except Cuba, which receives a proration of more than ten thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the quantity determined by prorating among such countries, in the same ratio that each country's proration bears to the total of the prorations for such countries, the quantity determined by applying 1.36 per centum to the quotas for foreign countries established under paragraph (1) or (2) of section 202(c). The proration or allocation established for each foreign country which receives a proration or allocation of ten thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 7. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: 2,000,000 gallons of sirup of can juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids of more than 5 per centum of the total soluble solids, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 8. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 9. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 10. A new section 213 is added and inserted immediately after section 212 of such Act follows:

"SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

"(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fullfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign

countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c). Such fee shall be imposed on a per-pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) and (5) of section 202(c).

"(c) As a condition for importing sugar into the continental United States pursuant to paragraph (3) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, 1964, 1965, 1966, and succeeding years, which fee in each such year shall be respectively 20, 40, 60, 80, and 100 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), or whenever paragraph (4) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New York, and most favored-nation-tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, 1964, 1965, 1966, and succeeding years shall be respectively 0.2, 0.4, 0.6, 0.8, and 1 cent per pound more than the import fee imposed on raw sugar under this paragraph.

"(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts."

SEC. 11. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following:

"Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar within proportionate shares when in effect, and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interests of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. In order to make available acreage for

growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield fifty thousand short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing."

SEC. 12. Section 404 of such Act is amended by inserting ", fees" after the word "penalties" in the second sentence thereof.

SEC. 13. Section 408 of such Act is amended by striking out "(a)" at the beginning thereof and by striking out all of subsection (b) thereof.

SEC. 14. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

SEC. 15. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 16. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" and inserting in lieu thereof "1967" and by striking out "1963" and inserting in lieu thereof "1968".

SEC. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 and section 10 shall each become effective upon the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

The CHAIRMAN. The next witness is the Honorable G. Griffith Johnson, Assistant Secretary, Bureau of Economic Affairs, Department of State, and Mr. Edwin M. Martin.

Will you proceed, Mr. Johnson?

STATEMENT OF HON. G. GRIFFITH JOHNSON, ASSISTANT SECRETARY, BUREAU OF ECONOMIC AFFAIRS, DEPARTMENT OF STATE; ACCOMPANIED BY EDWIN M. MARTIN, ASSISTANT SECRETARY, BUREAU OF INTER-AMERICAN AFFAIRS; AND PAUL E. CALLANAN, COMMODITIES DIVISION

Mr. JOHNSON. Mr. Chairman, I appreciate this opportunity to present to you the views of the Department of State on the proposal for new sugar legislation. Here with me is my predecessor, Mr. Martin, now the Assistant Secretary for Inter-American Affairs, and also Mr. Paul Callanan of my office.

We would like generally to associate ourselves with the fine statement of Secretary Murphy, and we should like to make clear at the beginning that we support the bill proposed by the President and vigorously oppose those provisions of H.R. 12154 as passed by the House which relate to foreign imports. It is our firm belief that these provisions are contrary to the foreign policy interests of the United States.

Our first objection is to the emasculation of the former Cuban quota. The President's bill, after taking into consideration increases in domestic quotas, establishes the former Cuban quota at about 2,600,000

tons. The House bill further reduces this quantity to 1.5 million tons by allocating 1.1 million tons to 25 other foreign countries. The Department of State considers it of critical importance that the former Cuban quota not be reduced below the 2,600,000-ton figure.

We must look forward to the day when Cuba returns to the family of Western nations. We must provide all the inducement we can to have this event occur as soon as possible. By reducing Cuba's potential opportunity to trade with the United States, we would only strengthen Castro's position in Cuba and discourage those forces opposed to him. The reduction contained in the House bill would serve to support Castro's contention that Cuba's future lies with the Communist bloc. To repeat, therefore, I strongly urge that the former Cuban quota not be scatterd piecemeal to a large number of foreign countries, but retained intact as an open invitation for Cuba to return to the West.

The second point I wish to emphasize is the importance of the concept contained in the President's bill of maintaining the former Cuban quotas on a global basis without premiums—and of rejecting the provisions of the House bill which establishes new quota allotments. These quotas would be substantially increased by the House bill. Fourteen new countries would be given basic quotas. The vested interests thus created would prove difficult if not impossible to withdraw later without a severe impact on our relations with these countries. It is our position that the former Cuban quota after allowing for the increases in domestic quotas should be put entirely on a global basis. That is, it should be made available to all friendly countries on a nondiscriminatory first-come first-served basis. It is only in this way that the door can be held open for Cuba to regain on a freely competitive basis its former position in the U.S. market

As an integral part of a global quota system, we recommend that we stop paying foreign suppliers a premium price for sugar imported into the United States. The President's bill proposes that the present basic quotas of foreign countries be retained at their present levels. The premium price paid on the former Cuban quota would and should be eliminated immediately. With the exception of the Philippines, the premium price now paid to other foreign countries would be reduced gradually over a 5-year period. The premium price should be removed on the former Cuban quota and eliminated gradually on other basic quotas by imposing a fee which would be approximately equal to the amount by which our domestic sugar price exceeds the foregin market price for sugar. This fee would eliminate substantially all the subsidy or price incentive which now stimulates foreign countries to struggle so desperately for a sugar quota in the U.S. market and which arouses such high emotions and disappointments.

There is no justification for continuing to subsidize foreign sugar producers in order to assure adequate sugar supplies. The United States is heavily dependent upon foreign sources for a wide range of industrial raw materials and foodstuffs, yet has not found it necessary to subsidize foreign production to assure that our import requirements are met.

Interruption of the sugar trade with Cuba provides an opportunity to put an end to an import subsidy system which no longer serves its original purpose. Cuba had a significant economic interest in the

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price premium as its quota was over 3 million tons. Aside from the Philippines, where we are bound by treaty to accord special treatment to sugar imports, the vested interests of all other countries—14 in number, that is, the existing vested interests—amount to only 280,000 tons, and the total quota premium to these 14 countries in the last normal year—1959—was worth about $13 million. If this premium were to be phased out over a 5-year period, these countries should be able to adjust to this small change in their export earnings without serious difficulty.

We have aid programs today to direct resources on the basis of need. Aid through a sugar program does not assure that resources are going to the right places or in the right amounts. In the absence of any objective standards that can be consistenely applied, quotas must be doled out on a basis that need bear little relation to needs or to efficiency in production. The temporary allocations made over the past 2 years to replace Cuban supplies have encouraged sugar expansion in some countries, not because of any inadequacy of world sugar supplies, but solely in anticipation of receiving permanent quotas in the United States for premium-priced sugar.

The need to allocate valuable quota privileges among competing foreign claimants creates political problems of the most difficult kind. Virtually every cane sugar producing country in the world and many of the beet sugar producing countries in Western Europe are seeking quotas. In presenting and carrying out a long-term sugar policy, the administration should not have to take a position favoring some friendly countries over others. We make no friends in this process. Even those who receive a quota complain of its inadequacy, and criticize us for favoring others with larger quotas. Already complaints are coming in from foreign countries complaining about the quota provisions of the House bill. A global quota system would eliminate the necessity for choosing among the numerous claimants for the Cuban quota.

We are also gravely disturbed by the provisions of H.R. 12154 which completely eliminate the refined sugar quota amounting to 375,000 tons, which formerly was assigned to Cuba. The executive branch, after discussions with domestic sugar interests, proposed a reduction to 250,000 tons. We believe this quantity, which at best is only a token amount, compared to our total imports of raw sugar, should be permitted to enter the United States in refined form. A complete elimination of the opportunity to sell even small quantities of refined sugar to the United States would be indefensible in the eyes of those countries which look forward to some diversification in their trade with the United States.

Further, the Department of State considers that the provisions of section 12 of H.R. 12154 represent an undesirable use of our power to allocate import quotas to affect the behavior of other governments. However, with the elimination of the premium quota concept, as proposed in the President's bill, the provisions of section 12 would automatically lose their effectiveness. Even so, the inclusion of coercive provisions of this kind in this legislation is, in the Department's view, unwise and unwarranted.

Finally, Mr. Chairman, we should also like to express our view that section 18 in the House bill is an undesirable method of handling the

particular situation which developed in the Dominican Republic. The Department feels that it would be wiser to handle this particular situation through the aid program rather than by appropriating money directly to the sugar companies who supplied this amount of nonquota sugar.

That completes my statement, Mr. Chairman.

The CHAIRMAN. Mr. Johnson, as I understand it, you favor abolishing subsidies for sugar.

Mr. JOHNSON. In the purchase of imported sugar, yes, sir, except for the Philippines and the phasing out of the existing quotas.

The CHAIRMAN. And then you would buy it at the world price?

Mr. JOHNSON. That is correct, sir.

The CHAIRMAN. Which is about one-half of what you have been paying?

Mr. JOHNSON. That is the relationship at the moment; yes, sir.

The CHAIRMAN. And you wouldn't buy any sugar at 6 cents?

Mr. JOHNSON. Except in the case of the Philippines and in the case of those countries which hold small quotas under the existing act, that is correct.

The CHAIRMAN. I have always favored abolishing the sugar subsidy, but if you pay 6 cents in the Philippines and 3 cents in other areas, how much do you finally charge the consumer here? How do you work that?

Mr. JOHNSON. Well, the difference between the Philippines, which is roughly comparable to the domestic price, would be covered by a fee, an import fee which would attach to the other imports of sugar.

The CHAIRMAN. Would you attempt to hold the price now to those that purchase sugar in this country?

Mr. JOHNSON. The price of sugar in this country would basically be determined by the supply arrangements established by the Department of Agriculture. And the world price would be related—the imports of sugar would come in at the world price, but would sell domestically at the domestic price.

The CHAIRMAN. Would that reduce the price of sugar to the consumer?

Mr. JOHNSON. I would not anticipate that it would, because basically the domestic price of retail sugar is set by the supply.

The CHAIRMAN. If you paid 3 cents instead of 6, why wouldn't you make a saving somewhere along the line?

Mr. JOHNSON. The saving would go to the Treasury.

The CHAIRMAN. How much saving would there be to the Treasury?

Mr. JOHNSON. Well, under present circumstances with the present relationship of prices, there would immediately in the first year be a saving in the area of about $135 or $140 million.

The CHAIRMAN. But there would be no difference in the consumer's price?

Mr. JOHNSON. No difference, sir.

The CHAIRMAN. The big users of sugar like Coca-Cola will pay what they pay now?

Mr. JOHNSON. That is correct.

The CHAIRMAN. And the housewife will pay the same?

Mr. JOHNSON. That is correct.

The CHAIRMAN. And you figure there will be a saving of about $135 million, is that the figure?

Mr. JOHNSON. That is correct.

The CHAIRMAN. Which would go into the U.S. Treasury, is that it?

Mr. JOHNSON. Yes. The saving, of course, would be determined by the gap between the world price and the domestic price. And that varies from time to time.

The CHAIRMAN. How will it affect the beet sugar people? Is the price fixed so that they will get paid on the basis of——

Mr. JOHNSON. This would have no effect on the payments to the domestic sugar producers.

The CHAIRMAN. They would get paid on the basis of 6 cents, then?

Mr. JOHNSON. Yes.

Senator BENNETT. And the cane sugar in Louisiana and Florida and Hawaii and Puerto Rico.

The CHAIRMAN. It looks a little complicated to me. You are buying in some countries at 3 cents and in others at 6.

Senator MORTON. He used the word "premium" instead of "subsidy." There is a little difference between "premium" and "subsidy." You eliminate the premium.

The CHAIRMAN. You said "subsidy" in one place?

Mr. JOHNSON. That is right. Sometimes it is called "subsidy" and sometimes "premium" and sometimes "price incentive."

The CHAIRMAN. Some on the committee specially don't like the word "subsidy." That is what I used in connection with this 8-percent credit, and it created quite an argument.

Senator Douglas.

Senator DOUGLAS. Mr. Johnson, I want to congratulate you and the State Department on the position which you take this year. I hope you will forgive me if I say that this is a very welcome change from the position which you took last year.

Now, I am well aware of the fact that the head of the Latin American Division last year was another man, I believe another man in a double sense, Mr. Thomas Mann, not the novelist but the Foreign Service officer.

Senator BENNETT. Ambassador to Mexico.

Senator DOUGLAS. Who was promoted for his magnificent service in connection with this to be Ambassador to Mexico.

I think your testimony this year is splendid. And I don't believe in calling up old scores, but since some Foreign Service people always believe that Members of Congress are foolish, and they possess all wisdom, I would like to say that we probably could have passed this identical bill last year if you had given us your support. We had a unanimous vote in this committee, and it was scheduled for passage on the floor, and Secretary Mann immediately took the offensive with telephone calls and letters, and so forth and so on, the lobby came up from Central and South America, and the air was black with the wings of the airplanes bringing the high-priced lobbyists. And they descended upon Washington like 17-year locusts. And what seemed to be a comfortable majority for our position one day melted into insignificance the next.

Mr. Mann's argument last year was that we would endanger Latin American relations if we did it. I argued that we would build up vested interests which would later make it more difficult for us to remove the subsidy (premium).

Now, I see in your testimony that you think this has created more problems than it has solved.

Mr. JOHNSON. That is correct.

Senator DOUGLAS. That the subsidy (premium) has not gone to those who need these amounts but gone to a relatively limited group who try to get all four feet into the trough and get a constantly larger share. And eliminating the question of the feet in the trough, this is the position which you took, isn't that right?

Mr. JOHNSON. Yes, sir.

Senator DOUGLAS. In more gentlemanly language?

Mr. JOHNSON. That is right.

Senator DOUGLAS. Now, I hope that you can carry the message back to your Foreign Service officer. But sometimes Congress is right. Sometimes Senators know best.

And with that statement, let me say, I welcome your repentance. I hope you will be just as active in support of this bill as you were active in opposition to the bill last year. I hope you intend to go all the way through down to the wire with us on this.

Mr. JOHNSON. Well, we do, Senator, feel very strongly on this particular piece of legislation.

Senator DOUGLAS. That is fine.

Mr. Chairman, I think we ought to send a letter to the Secretary of State commending Mr. Johnson and Mr. Martin for the position which they have taken, and have the appropriate passages sent to all Foreign Service officers of the first class.

The CHAIRMAN. Senator Carlson.

Senator CARLSON. Mr. Johnson, as Secretary of the Bureau of Economic Affairs, will you handle the sugar section, if there is a sugar section in the State Department?

Mr. JOHNSON. Yes, sir.

Senator CARLSON. Do you assign quotas, do you cooperate with the Secretary of Agriculture, or how are these quota arrangements made with other countries?

Mr. JOHNSON. Well, the basic responsibility for administering the legislation is, of course, with the Secretary of Agriculture. And in my experience there has been a very close and satisfactory relationship between the Department of Agriculture and the State Department, since many of these matters as they affect foreign countries are discussed between the two Departments, and the Department of State acts as the formal agent in negotiations with the countries involved.

Senator CARLSON. Do our Ambassadors and Foreign Service officers at the direction of the State Department make arrangements for quotas to these countries?

Mr. JOHNSON. I am sorry, I can't say to what extent they are. I think most of this is handled in the departments in Washington. To the extent to which the Foreign officers, let's say, the agricultural attachés, get involved, I do not know, but I suspect only in the role of supplying information as requested by the departments here in Washington.

Senator CARLSON. I assume that representatives of these governments where quotas are allocated, do come in with questions to the State Department and the Department of Agriculture for quotas.

Mr. JOHNSON. They do indeed, sir.

Senator CARLSON. And of course the allocations are made by the Secretary of Agriculture. But does the State Department have veto power over these?

Mr. JOHNSON. I am going to ask Assistant Secretary Martin to answer that. He has had a god deal more experience than I have.

Mr. MARTIN. We are asked to concur in the proposals of the Secretary of Agriculture. I suppose if we could not agree the matter would have to go to the White House. I don't know that this has ever occurred in my experience. We have always managed to get together. I would say that the basic factor that comes first that we would not in any sense be disposed to overrule is the necessity for assuring a supply of sugar. That is the No. 1 criterion. There have been cases where on political grounds we would prefer to buy from this country rather than that one, but we were told that sugar could not have gotten to this country in time. That has overruled us. I would say on the whole we have not tried to exercise the veto, but we would take an issue to the White House if we thought it appropriate to do so.

Senator CARLSON. I don't know the particular interest you have, but isn't this allocation of these sugar quotas a very important part of our international program, diplomacy and every other type of international relations enter into it?

Mr. MARTIN. It has become a very controversial issue in our international relations with an ever widening number of countries. But as indicated by our support for this bill, as submitted by the President, we think on the whole it hasn't been a constructive factor in our diplomatic relations with other countries.

Senator CARLSON. I notice in Mr. Johnson's statement he said we have aid programs today to direct resources on the basis of need. Those of us who have been in this field for some time, in the field of foreign relations and the Senate Foreign Relations Committee, have been concerned that aid is not the only thing that gets into this picture, there are many other things that enter into the political side, and some of these questions are coming up to the State Department. And I appreciate the State Department's position. And I think you were here this morning, Mr. Johnson, when I asked Secretary Murphy about the bartering, if you had bilateral trade arrangements with some of these countries for commodities that they need in trade for sugar.

I assume the State Department is very much opposed to that.

Mr. JOHNSON. I would say in general, Senator, that we see a great many difficulties involved in any extensive program of this kind. And we have some doubts that any extensive use of this kind of arrangements would be actually to the benefit of American agriculture itself. But I am not prepared to—I don't think we are prepared to say categorically that there are no circumstances where such an arrangement can be operated.

As you know, there was a program operated this winter for a limited amount of tonnage.

Senator CARLSON. In the House report it does mention, of course, that if sugar allocations are going to be made, among the factors in the purchase from the various sugar producing countries are the agricultural commodities of the United States. That is one of the provisions in the report, and I assume represents congressional intent in the House at least.

Will you keep that language in mind if this legislation is approved?

Mr. JOHNSON. I am sure that the Department and the executive branch will do its best to follow out the instructions of the Congress, whatever they may be. We of course hope to avoid problems of this nature by eliminating the price premium. Once that is eliminated, of course, then the collateral aspect of bartering against sugar imports disappears.

Senator CARLSON. Of course, that is a matter of a few years, it is not going to happen this year, it is part of the scheduled program.

Mr. JOHNSON. Yes. But as far as the bulk of the imports are concerned, it would happen this year. The premium would be eliminated, that is the administration's program.

Mr. MARTIN. May I add just one comment. I am not sure that I am right, but my understanding is that this provision in the House report is not an injunction to the executive branch as to how it should deal with the matter. The House has made the allocations themselves, and this is the statement of intent when the House extends the temporary allocations of the Cuban quotas beyond 1963. There is no discretion or guidance given to us in respect of something that we could do, but rather how they propose to handle it.

Senator CARLSON. I may say it is a very weak statement in the report, and I hope to get it straightened before this leaves this body, that is what I am looking forward to.

But I shall not get into this any further this afternoon.

Thank you, very much.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. Mr. Chairman, I have a few questions.

Do you intend when the present Philippine treaty expires to take away the Philippine sugar premium also? This is the thing you have got to look forward to if everybody else in the world is dealing with this other world market.

Mr. JOHNSON. I would assume, Senator, that that is a question which hasn't been answered as yet. I would assume that a lot depends upon the nature of our relations with the Philippines at that time.

Senator BENNETT. Does this period follow in the 5-year period when these other nations are being phased out?

Mr. JOHNSON. Yes, the treaty runs until 1974. So it does not fall within the period.

Senator BENNETT. It does not. But it is going to be pretty hard to say that you are going to keep the Philippines with a premium when you have deliberately taken it away from everybody else.

Mr. JOHNSON. I would think that would be correct.

Senator BENNETT. You are anxious to preserve, as I remember, the figure 2,600,000 tons to return to Cuba. Is this going to be much of an incentive if Cuba gets it back at the world price? You say that this is going to be one of the things that is going to bring Cuba back into the Western World. But if the Russians can bid the world price plus 5 percent or 10 percent, they are now dealing for bartered goods, and they can do it, if they decide they want to keep Cuba in their orbit. Haven't you given them an opportunity to overcome any value that the American market might have to them?

Mr. MARTIN. Might I answer that question, Senator?

Senator BENNETT. Yes.

Mr. MARTIN. There are two things I might say, one, Cuba, I believe, is one of the few places that, both in terms of production cost and in terms of being closest to the U.S. market, can sell profitably at the world market price to the United States. This is a natural, normal market that they can make money out of.

Secondly, no matter what price we fix for Cuba, the Soviets could so price their bartered goods as to make it look like it was a better transaction. But Cuba, I think, is probably having the experience that a good many other countries have had around the world in engaging in bartering arrangements with the Soviets: They don't get what they want, the quality tends to be inferior, and they are on the whole overpriced.

Senator BENNETT. I recognize that. But when we took the sugar price away from Cuba they had a premium. Now we say that we are going to lure them back into our area by giving them a lower quota with no premium. And I wonder just how strong an incentive this is for the Cuban people to rebel against the Russians.

Mr. MARTIN. I think it is a little over 50 percent which would be the cut the House bill makes in the Cuban quota.

Senator BENNETT. I haven't figured the mathematics, but I would imagine the House bill at 1,500,000 tons with a premium is a better incentive than 2,600,000 tons with no premium.

Mr. JOHNSON. Senator, under the administration proposal the premium on the Cuban quota would come back on if Cuba became a supplier again at that point which the staging process had reached. In other words, if Cuba came back in in the second year of the program, it would receive a price premium of 80 percent.

Senator BENNETT. But it would phase out in 5 years?

Mr. JOHNSON. That is correct, sir.

Senator BENNETT. Senator Anderson is very proud of the fact that when he was Secretary of Agriculture he was able to go to Cuba, and because we had this sugar arrangement with Cuba, he was able to persuade them to continue to sell sugar on the American market at a price which was then less than the world market, and to take care of our wartime needs.

Do you think there is any value in trying to protect ourselves against the day when there may be another wartime situation, or are we willing to cut ourselves adrift now and in time of war depend entirely on a world market—and to give you another one to worry about for a minute, when world market prices go above domestic prices? This happened during the Suez crisis, and that isn't very far back. What would you propose to do under this bill if world prices rose substantially above domestic prices?

I am sure that the payment—what is the phrase used to describe it?

Mr. JOHNSON. The fee?

Senator BENNETT. The import fee would go up. But you would leave the Secretary of Agriculture with a problem. Is he going to raise domestic prices up to the world price? If he isn't, you are going to have a lot of unhappy domestic sugar producers when you are paying 10 cents or 15 or 20 cents a pound for sugar and they are being paid 6 cents a pound.

Mr. JOHNSON. I believe I am correct, Senator, that the Secretary of Agriculture doesn't actually determine the price for sugar, it is a market price. The Secretary of Agriculture in effect controls the sup-

ply and indirectly influences very directly the price. But in the situation which you describe I would assume that the domestic price would adjust itself to the fluctuation in the imported price at the refining level, at the refiners level.

Senator BENNETT. Then what we are saying now is that if we adopt this proposal we are taking out of the whole sugar program the stability that it has had, because we went through World War II without the kind of fluctuations that existed in World War I. I am old enough to remember that in World War I sugar got up to 20 cents a pound, and the price of sugar stock went up accordingly. And when that price was changed almost overnight it broke a lot of people who had had faith in the domestic sugar industry and had brought sugar stocks above the old prewar price. This is the kind of instability that the present sugar law eliminated.

We have never had these wide fluctuations since this act was adopted in the 1930's. But we are about to create a situation which could (*a*) permit these wide fluctuations; and (*b*) could put us—face us with serious problems if we needed sugar in wartime, because we would no longer have a nearby source of sugar that was under some obligation to us and would meet that obligation as Cuba did in World War II.

Has the State Department figured all these things out and decided even in the face of these risks that we should go ahead with a world growable quota?

Mr. MARTIN. May I comment on that?

I would like to indicate that I think the Dominican Republic as well as Cuba did us this favor during World War II, to give credit where credit is due.

Senator BENNETT. I am happy to give credit. Was his name Trujillo?

Mr. MARTIN. I suspect at that time it may have been.

Secondly, it does seem to me that the whole supply-demand relation of sugar has changed in the last 15 years. Increased production, particularly of cane, has changed significantly the terms of the general world supply situation.

Thirdly, if we are to consider as an important factor in our policy a supply situation for an extensive war, one of long duration, which is a little bit questionable——

Senator BENNETT. We never think the war is going to last, we thought World War I would be over in a week or two, and in World War II we thought it wasn't really worthwhile to get our uniforms out and get them pressed.

Mr. MARTIN. There have been some technological changes since World War II in this matter. But even so it would seem to me that there are other commodities we have to worry about more than sugar.

Senator BENNETT. Lead and zinc, for instance.

I couldn't resist that.

Mr. MARTIN. Touché.

Senator BENNETT. Now, against this background one other question. How much of the total world production of sugar is free in the so-called world market?

Mr. JOHNSON. The estimates that I have seen are that about 17 million tons, which is roughly 30 percent of world production, enters international trade.

Senator BENNETT. There are a lot of people shaking their heads behind you.

Mr. JOHNSON. That is my first statement. And then I think you have to break the 17 million tons down into those quantities which move under various kinds of arrangements, the British Commonwealth, and I believe the French have preferential arrangements, which leaves, as I recall, a figure of somewhere around 10 million tons which actually moves in what you might call an international market not surrounded by preferential arrangements.

This would include today, I suppose, all of the Cuban shipments—not all, but—yes, all of the Cuban shipments.

Senator BENNETT. In the event of a war, would there be tremendous competition for this uncommitted tonnage?

Mr. JOHNSON. Well, it depends, I suppose, upon whether transportation is available to meet demand. It might prove that you would have substantial surpluses in the Western Hemisphere, for example, because of inability to ship, or factors of that kind.

Senator BENNETT. You have taken all these into consideration, and you are willing to run these risks in order to have what you consider to be a better basis for relationship with other sugar suppliers outside the United States?

Mr. JOHNSON. That is correct.

Senator BENNETT. I would hate to stand at the side of Mr. Mann in Mexico when the word gets back to Mexico that this bill has been passed. He is going to have—Senator Douglas praised him highly—no; he didn't praise him, did he, he was very critical of him because he stood for what amounted to some support for the Mexican who produces sugar. And now, as the Ambassador of Mexico, he is going to have the job of explaining to them why that support has now disappeared.

Mr. JOHNSON. Senator, I am sure that this position and this legislation, if it takes this form, would be very unpopular with a lot of countries who have supplied us or hope to supply us with premium-priced sugar.

It is our considered judgment, however, that such displeasure as is incurred in this source is less in the long run, considerably less than the problems foreign-policy-wise that we get into from this kind of proposed setup.

Senator BENNETT. We have a long list, which you are not responsible for particularly, but could you suggest a parallel list of countries in which there will be dancing in the streets when this sugar legislation is passed in this form? Haven't we pretty well covered all of the countries that might supply us with sugar in this list?

Mr. JOHNSON. But not in the quantity which they would like to supply us.

Senator BENNETT. I recognize that problem. But, even so, aren't these people all going to be unhappy if they are told that there will be no premiums, "if you supply any sugar to the United States, you are going to have to bid on it"?

So I am wondering if your judgment of the relative value, measured in terms of satisfaction or dissatisfaction, is completely sound. I think this bill might create a great amount of dissatisfaction. And

I don't know what there is in the bill that will provide an offsetting satisfaction.

Mr. MARTIN. May I just make one point?

Senator BENNETT. Yes.

Mr. MARTIN. Sitting now in what was Secretary Mann's seat, I am keenly aware of the problems that he was facing at that time. My telegrams show them, too. I think the thing that has weighed with me very considerably in this matter, apart from my previous commitment to this position, has been the feeling that the longer we put off taking an action of this kind, the more difficult it will be if and when, as I must believe, Cuba becomes free again.

Senator BENNETT. Do you anticipate any experiences of the kind I am about to describe, experiences that might be related to the experience you had with Belgium when you put a tariff on glass? They are going to say to you, "Well, you have taken our sugar premium away, now what are you going to give us in terms of other economic benefits to make up for this, in terms of either increased purchases from us, or lowered tariffs on something else we might sell?" Have you anticipated that kind of reaction?

Mr. MARTIN. I expect we will get it; yes.

Senator BENNETT. And you are prepared to take it?

Mr. MARTIN. Yes.

Mr. JOHNSON. I might mention, there is a significant difference in this situation than the situation as to Belgian glass.

Senator BENNETT. I recognize that.

That is all.

Senator CARLSON (now presiding). Senator Curtis.

Senator CURTIS. No questions.

Senator CARLSON. Senator Morton.

Senator MORTON. You have got me torn between two sides, the old school tie and being a member of the committee.

I would like comment on your questioning, Senator Carlson.

First, you talk about the negotiation developing at the embassy level in these various countries. I think that most of these quotas came in through action taken in the House of Representatives. Now, Senator Bennett has talked about Mexico. I know how Mexico got in the act in the first place, it had nothing to do with the State Department, I was managing the bill at that time. It was over the objections of the State Department and the strenuous objection of the then Secretary for Latin American Affairs, Mr. Holland, that Mexico got in the act. Mexico couldn't show need, because of the tourist trade, and so forth.

Mr. MARTIN. I think most of them come in through the House.

Senator BENNETT. We did Mexico in the Senate.

Senator MORTON. No; you didn't. It was done in the House. I know all about how it was done.

Senator BENNETT. My memory is that it was done on the floor of the Senate, after it came out of the committee.

Senator MORTON. After it came out of committee to conform with something that had already been done in the House. I think you will find that that is right, because I was right in the middle of that.

Once the Congress starts throwing these quotas around each Assistant Secretary of State fights for his area. The Republic of China, Formosa got in the act through the aggressive advocacy of Walter Robertson.

I agree thoroughly with the position that has been taken here by the officers of the State Department, whether they are Foreign Service or not.

And I wish Senator Douglas were still here.

But I think we are getting ourselves in an absolutely hopeless bind on this thing, and the sooner we get ourselves out of it the better. And I think it is imperative that we in the Senate stand firm, and I hope the Senate will stand together on the view that we must maintain a sugar base for Cuba because of our hope that Cuba will throw off the Communist yoke and we will be in a position to reestablish relations, and at that time we have an obligation to the economy of Cuba to restore the old economic ties and our old exports to Cuba. And that means importing. And at this time except for cigars, sugar is about the most critical item in the Cuban economy.

Senator CARLSON. Any further questions?

(No response.)

Senator CARLSON. We thank you, gentlemen.

The next witness is Mr. John Leddy, Assistant Secretary of the Treasury.

You may proceed, Mr. Leddy.

STATEMENT OF JOHN M. LEDDY, ASSISTANT SECRETARY OF THE TREASURY

Mr. LEDDY. I am very happy to have this opportunity to testify before this committee on the balance-of-payments aspects of pending sugar legislation. The bill supported by the administration (S. 3290) provides for the imposition of an import fee on sugar imported into the United States from foreign countries other than the Philippines.

In brief, the import fee represents approximately the amount by which our domestic sugar price exceeds the world market price for sugar. It would apply immediately to the amount of the entire Cuban quota—which amount would, under present circumstances, be distributed among various countries other than Cuba—and would apply in annual stages of 20, 40, 60, 80, and, finally, 100 percent, to the basic quotas of other supplier countries. The proceeds of this fee would accrue to the United States, and would correspondingly reduce the dollar outpayments to foreign countries. The bill passed by the House yesterday (H.R. 12154) contemplates the continuation of the quota premium on imports of sugar, and makes no provision for the recovery by the United States of this premium through an import fee such as that recommended by the administration.

As the members of the committee are aware, President Kennedy has launched a comprehensive program to improve our balance-of-payments situation and to stem the outflow of gold from this country. This program includes, among other measures, a major drive to increase our commercial exports of goods and services; measures to

reduce or offset our large military expenditures abroad; and the reorientation of our foreign economic aid program so that a much larger proportion of aid will be provided in the form of American goods and services and a much smaller proportion in the form of straight dollar transfers. In addition, as the committee knows, the administration believes that the foreign income provisions of our tax laws should be changed to remove the special incentive to invest long-term capital in other industrialized countries rather than in the United States.

The sugar legislation supported by the administration would contribute directly to our balance of payments objectives by imposing the fees I have just described, which would reduce outpayments for sugar in our trade accounts. The balance of payments savings of $130 to $160 million which could be realized through the import fee would be a significant benefit. It is essential that we adopt all practicable measures to solve our balance-of-payments problem and strengthen the international monetary system which is centered on the dollar. I accordingly urge that this committee accept the proposals of the administration for sugar legislation which would provide for the application of import fees.

I would also like to point out that the imposition of a sugar import fee would produce additional budgetary receipts in fiscal 1963. The proceeds of the fee would be covered into the miscellaneous receipts of the Treasury and such amounts would correspondingly ease the financing problem faced by the Treasury.

In summary, the import fees proposed by the administration would both benefit our balance of payments and increase Treasury receipts. For these reasons the Treasury Department strongly urges the adoption of the fee system as provided for in the sugar legislation supported by the administration.

Senator CARLSON. Mr. Leddy, we certainly appreciate your statement. And I can assure you that this committee, as you well know, is concerned along with the Treasury about the balance of payments, and we could get into a rather lengthy and I think healthy, discussion of it.

I notice you put in one paragraph that would really stir discussion; that—

> The administration believes that the foreign import of our tax laws should be changed to remove the special incentive in other industrialized countries rather than in the United States.

We have been hearing testimony on that for a few days. Personally, I shall not get into it.

Senator Bennett, do you have any questions?

Senator BENNETT. No. I guess the State Department is now on overtime, and we mustn't run the cost of Government up any more. I have no questions.

The CHAIRMAN (again presiding). Senator Curtis.

Senator CURTIS. As I understand it, the interest of the Treasury Department in the sugar legislation is centered on the import fees.

Mr. LEDDY. That is right.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Morton.

Senator MORTON. Again you put me in a spot. I have been up here for 4 weeks "hollering" about this tax on foreign subsidies, and I am trying to be helpful, and here we have got another alumnus of the State Department testifying.

And I am trying to be for you, and you deliberately put a sentence in this statement that doesn't belong in it.

You aren't doing this to irritate me, are you, John?

Mr. LEDDY. No.

Senator MORTON. It is late, and I won't take any exception to it.

The CHAIRMAN. Thank you very much.

We will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 5:10 p.m., the hearing adjourned, to reconvene at 10 a.m. on Thursday, June 21, 1962.)

SUGAR ACT AMENDMENTS OF 1962

THURSDAY, JUNE 21, 1962

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), Kerr, Long, Smathers, Douglas, Gore, Talmadge, McCarthy, Williams, Carlton, Bennett, Curtis, and Morton.

Also present: Senator Ellender of Louisiana.

Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

The CHAIRMAN. The meeting will come to order.

The Chair takes pleasure in placing in the record a letter from the Honorable Carl Hayden, senior Senator from Arizona, transmitting for the record a statement by Mr. Floyd N. Smith, chairman of the Governor's committee, State of Arizona. The committee will certainly give full consideration to the recommendations of Senator Hayden and Mr. Smith.

(The letter from Senator Carl Hayden and the statement from Mr. Floyd N. Smith follow:)

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
June 20, 1962.

HON. HARRY F. BYRD,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: I am writing to you in regard to H.R. 12154, the sugar bill of 1962, which has just been passed by the House of Representatives and provides for some expansion of domestic sugarbeet production. I favor the provisions in the proposed legislation which will extend to domestic sugar producers an opportunity for a larger share in the production of our domestic sugar requirements.

For a number of years agricultural leaders and producers in my State have been interested in getting into the production of sugarbeets but have been precluded therefrom due to the acreage and other restrictions. The ability to produce sugarbeets in Arizona is, I believe, amply demonstrated by the fact that it now produces one-half of the supply of sugarbeet seed for the United States. In addition, investigations conducted by the agricultural experiment station have clearly indicated the productive ability of various areas within the State to produce sugarbeets. I am sure this same ability to produce is present in the adjacent States in the Southwest.

Enclosed is a statement from Mr. Floyd N. Smith, Phoenix, Ariz., chairman of the Governor's committee for the State of Arizona. Mr. Smith is unable to appear before your committee, but his statement demonstrates the potential ability for sugarbeet production in Arizona, if it is allocated sufficient acreage under the new areas proviso in the pending legislation to support a sugarbeet factory.

I will appreciate it if you will include Mr. Smith's statement in the record of hearings.

I am concerned with regard to the amount of acreage which can be allocated to new areas in the Southwest under the proposed legislation. It occurs to me that the bill could be improved by inclusion of a much larger share of the new sugarbeet acreage to new producing areas in Arizona and the Southwest. As I understand it, H.R. 12154 provides for an expansion of 540,000 net tons of sugar to be produced from sugarbeets, of which only 50,000 tons are reserved for distribution to new areas. It is suggested that the bill be amended to include a more realistic figure such as 125,000 tons to be reserved for allocation to new areas in lieu of the figure carried in the House bill which is only a token increase when spread throughout the United States.

With kind personal regards, I am,

Yours very sincerely,

CARL HAYDEN.

STATEMENT OF FLOYD N. SMITH, CHAIRMAN OF THE GOVERNOR'S COMMITTEE, STATE OF ARIZONA

My name is Floyd N. Smith, and I reside at 8520 North Central Avenue in Phoenix, Ariz. I appear before you today as a representative of the Governor of Arizona, who has established a committee to promote and foster the sugarbeet industry in our State.

In addition to being chairman of this committee, I have a definite interest in the problem as an Arizona farmer and as a representative of Arizona agriculture.

Sugarbeets thrive in Arizona. This fact is clearly demonstrated by the high yields of sugarbeet seed produced each year by Arizona farmers. We again grew more than half of the sugarbeet seed supply for the United States in 1961 and with an average acre yield of 3,257 pounds. Such production is possible only because the sugarbeet is well adapted to Arizona and our farmers know how to grow the crop.

The Arizona Agricultural Experiment Station has conducted research with sugarbeet production since 1948.

The results of sugarbeet production tests conducted in 1961 confirmed and extended earlier work on this crop. There is every reason to believe that the sugarbeet is naturally adapted to Arizona as a sugar crop. Consistently high yields of beets with a good sugar content indicate that this crop would be a profitable one for both the farmer and processor.

Sugarbeet experiments were conducted at the Mesa, Safford, and Yuma branch stations during 1960–61. These stations are located in three of the major farming areas of southern Arizona and represent a range in altitude from near sea level at Yuma to 2,900 feet at Safford.

Arizona's irrigated valley cannot compete with the rainfall areas of our country in the production of grain crops. The vegetable industry in our established agricultural areas has suffered greatly in the last few years. The only so-called cash crop of prominence is cotton. Due to our national surplus, cotton acreage is in a restricted category.

Without going into more detail, I can assure you farming in Arizona has become more and more difficult during the last several years. A substantial sugarbeet acreage would not only improve the economy of the State as a whole, but would also divert acreage now producing surplus crops to the production of sugar.

Arizona has 1,260,000 acres of the finest farmland in the country. Six hundred and forty thousand of these acres are irrigated by gravity flow waters. An additional 626,000 acres are privately irrigated by water pumped from the underground. The State has a more desirable climate, with fewer weather hazards than other areas in the country now raising sugarbeets.

A sugar mill in Arizona, centrally located, would have an added advantage over mills located in other States. Due to the climatic conditions in the State, the various producing areas would harvest their sugarbeets at different times, therefore giving the mill a longer annual campaign.

In response to a recent questionnaire, 364 Arizona farmers have indicated a desire to plant 69,872 acres of sugarbeets. Incidentally, any one of three counties included in this acreage could supply a 4,000-ton-per-day slicing capacity mill. The high degree of interest among farmers and citizens of Arizona in being allowed to participate in the production of sugar cannot be overemphasized. It is among the most important and vitally needed commodities in our country.

Not only the American farmer, but the American public as well, feels that our domestic producers should have at least an equal right to expand and grow in this important commodity. Strange as it may seem, many people throughout this country believe in the proposition that the American investor on American soil should have the same advantage and protection under the Sugar Act that an American or foreign investor on foreign soil should have, and that he should have the same right to expand home industry and home growth, particularly when the consumption is domestic.

We believe that the Nation should produce within its own borders a greater portion of its own sugar needs. The State of Arizona and those of us who farm there want the privilege of participating in this increased development.

We want this privilege without injuring our fellow farmers in other States who are now engaged in the sugar industry. We do not desire to interfere or hinder the efforts of others in established areas who wish to participate in the industry but have no present allotment. We believe this can be accomplished by allocating a portion of the former Cuban quota, plus the increased consumption, to domestic growers.

To continue to hold our own farmers down to a point of only producing about 20 percent of our sugar requirements seems grossly unfair in the face of the economic cost-price squeeze that is the farmers' lot in raising crops far less lucrative than sugarbeets. To restrict the American farmer from raising crops that are not in surplus does not seem to fall into the category of good judgment. We have only to pick up the newspapers to read of the farmers' economic plight and in the adjoining column read of another allotment of sugar quota to some foreign country. Is it, therefore, not difficult to understand why the potential new grower of sugarbeets is crying out "unjust," "unsound," when he knows he could make a good profit if allowed to grow a few acres of sugarbeets yearly?

Additional factories must be built if the American farmer is to receive his just share of the sugar allotment. The processor industry is reluctant to spend $12 to $15 million to build a factory unless it is assured of the passage by Congress of a permanent Sugar Act, or one of not less than 5 years duration, containing language which would allow them to obtain and hold sugarbeet sales quotas and acreage allotments sufficient to guarantee full operation of the newly built factory.

It has been the thinking of this Government that American citizens investing capital in foreign countries, instead of in America, have done so at their financial risk insofar as the governments of foreign countries are concerned. Frequently these investments become subject to confiscation by foreign countries, and oftentimes fall into the hands of unfriendly governments.

Who is to forecast when another unfriendly communistic nation may appear on the scene and lead the people of a foreign country into a doctrine completely opposed to our American way of life? The American farmer should not be required to pay to investors in foreign countries the losses they suffer in an assumed-risk foreign investment. The American farmer should not be penalized by the denial of the right to produce a greater amount of our domestic sugar consumption, and we should not appease any foreign government at the expense of our own domestic economy.

Farmers at home often ask me if this Congress will not pass legislation enabling them to grow sugarbeets, rather than to continue to let some foreign country produce the sugar we consume. They ask, "Will the Congress favor Americans in America, or will it favor a few with some foreign investments?"

The CHAIRMAN. The first witness today is Mr. Frank A. Kemp, domestic sugar producers and refiners.

Mr. Kemp, will you take a seat, sir, and proceed.

STATEMENT OF FRANK A. KEMP ON BEHALF OF DOMESTIC SUGAR PRODUCERS AND REFINERS

Mr. KEMP. Chairman Byrd and members of the committee, by name is Frank A. Kemp. My hope is in Denver. I have been an officer and employee of the beet sugar industry for nearly 40 years, and for more than 25 years have been president of the Great Western Sugar Co., one of the beet sugar processors.

I appear here today, however, not for my company or the beetsugar industry alone. I have the honor of appearing as a single witness before this committee at the request, and on behalf of all five of the domestic sugar producing and refining groups of the United States:

(1) The sugarbeet growers and processors in 22 States from Michigan and Ohio to the Pacific coast, who together comprise the U.S. sugarbeet industry;

(2) The sugarcane growers and processors of Louisiana and Florida;

(3) The Hawaiian Sugar Planters' Association;

(4) The Association of Sugar Producers of Puerto Rico;

(5) The United States Cane Sugar Refiners' Association, comprising practically all of the refiners of cane sugar in this country with refineries in 10 States, principally in coastal States from Massachusetts to Texas and California.

My appearance as a single witness for all the groups I have named is intended to save the time of this committee and as a further effort in that direction, my statement will be short.

I have appeared before your committee in connection with sugar legislative proposals then being considered on three previous occasions—in 1947, 1951, and 1956.

I think that even the members of this committee may not appreciate how often and how thoroughly this committee has considered sugar legislation and the sugar system of the United States in the past quarter of a century.

Commencing in 1934, sugar law has been before this committee on 11 separate occasions, on 5 of which there was extensive and unlimited presentation of every conceivable view. As everyone knows, this committee is an extremely expert and informed body on the subject of sugar, thoroughly conversant with the many phases of a very complex subject.

On the consideration by the Senate of an earlier sugar act, some years ago, the then chairman of this committee presented the bill in language that has a very familiar sound.

Senator Millikin said then:

> For a time it appeared that a simple extension would be the most that could be hoped for, this because of the apparent inability of the interested parties to get together.
>
> Those of us in the Congress especially interested counseled the representatives of the producers and processors that more than a simple, short extension could not be had unless a wide area of agreement could be achieved. In reaching an agreement among the numerous interests involved, there had to be reconciliation of many points of conflict. The mainland cane and beet sugar producers and processors were not in agreement. There was appearance of some division of opinion between the agencies of the Government which are interested.

The next sentence is particularly pertinent here today, and I wish that Senator Anderson was present, and I resume Senator Millikin's quotation.

> Secretary of Agriculture Anderson took an active interest in helping to put this bill together. The accords which were reached came somewhat as a surprise to many of us. There was not a single interest that received everything it wanted. Every interest had to sacrifice a part of its ambition. (Congressional Record, vol. 93, No. 144, p. 10411.)

The then chairman of this committee went on to quote again from Secretary Anderson in his appearance before the House Committee

in support of a sugar law and pointed out his repeated conferences with the Department of the Interior, the Bureau of the Budget, the State Department, and other branches of the administration:

> The bill before us—

said Senator Millikin—

> represents the results of all those negotiations, adjustments, and conciliations.

Fifteen years later, we appear again before this committee to report that for nearly 2 years, the various segments of the producing and refining industries, guided by the counsel of Members of the Congress, sought to reach an agreement as to the terms of an extension of the act which, as you know, expires within less than 10 days.

Finally, after a mutuality of sacrifice, the industry reached such an agreement in January of this year.

Again acting on the advice of Members of the Congress and the administration, the industry presented its views on an extension of sugar legislation to Government agencies and for more than 3 months counseled and consulted with representatives of the Departments of Agriculture, State, and Treasury, the Budget Bureau, the President's Council of Economic Advisers, and the White House staff.

Finally, in May of this year, the industry agreed with the administrative agencies on what I shall call the domestic provisions, that is, those provisions directly affecting domestic interests of an extension of the Sugar Act.

The principles of that agreement on the domestic side were first reflected in S. 3290 and also in House bill 12154, which has just come over to this committee, in which certain of the provisions concerning the domestic interests were amended to conform to need shown in the consideration given the bill in the House of Representatives.

The entire domestic industry is in agreement as to the provisions of H.R. 12154 affecting the domestic industry. Each of the five American producing and refining groups has instructed me to express to you their joint and separate endorsement and approval of the sections of the House bill dealing with the domestic side of the sugar program.

The domestic industry, in large part because of advice from Members of the Congress and the administration, has not taken any position with respect to the foreign aspects of this legislation. We believe that those problems can and should be decided by the Congress.

The shares of the American market allotted to the mainland cane and sugarbeet areas through their basic quotas have been increased, but these increases have been offset to a material extent by surrender of the right in existing law for the domestic areas to share in and to receive deficits of other domestic areas.

When it is understood that these deficit additions are no longer to be allotted the domestic groups, the size of the increase in basic quotas is substantially minimized.

Existing law gave to the domestic areas 55 percent of the increase in sugar consumption. The agreement and the new bill increases this to 63 percent. This new figure would add over existing law approximately 12,000 tons of sugar per year, which would be divided between the beet and cane industries on the ratio of 3 to 1.

As has been explained by earlier witnesses, no effective change has been made in the market shares of Hawaii and Puerto Rico, who are

presently suffering from some decrease in their old levels of production. Nevertheless, both of such areas are accorded the right to return to their former quotas if and when their production reaches oldtime figures.

One of the difficult competitions that had to be resolved concerned the desire of a number of new areas to have the right to enter the beet sugar business and to accommodate this within the total quota of the industry which was agreed to by the administration.

This presented some conflict between old growers in the industry and those in new areas. It was resolved by providing specifically that acreage sufficient to produce up to 50,000 tons of sugar per year should be subtracted from the national total beet acreage in any year when restrictions were applied and should be given by the Department of Agriculture, if needed, to new areas.

Time and again representatives of new areas made clear that they did not ask the old growers to take a reduction in acreage to accommodate new claimants.

In thus providing that the big share of the growth of the market allotted the beet industry should be set aside for new areas, the latter have received all that I think could be done in the framework of the total domestic share of our market.

Yesterday, both Senators Kerr and Anderson indicated that they wanted the new bill to make clear that a guarantee of acreage necessary to support a new plant could be extended to assure factory construction when the time came. We think it may be difficult to work out such a provision but if it can be done without violence to the basic understanding, I believe that it would be acceptable to all of the beet interests, although until the language can be studied this cannot be stated with absolute certainty.

It is not easy, it has never been easy, to reconcile all competitions that exist in the sugar business. There is a difference of opinion as to the amount of sugar we should produce domestically and the amount we should import. There is a basic competition between the refiners of raw sugar and the beet sugar industry which produces a direct consumption sugar. There are other competitions and differences almost too numerous to mention within the time I should take before this committee. They can be answered by members of the committee.

Finally, I should like to say most earnestly that the U.S. sugar system has been sound and has been successful. It has accorded full recognition to the rights and interests of consumers which have been fostered and protected throughout the history of sugar legislation in this country and should be fostered and protected in any revision of them.

The consumer has benefited through the stabilization of supply, through availability of ample supplies, and through the maintenance of price levels that the FAO has established are about average of prices in the sugar-consuming nations of the world and which represent a smaller contribution of working time for the purchase of a pound of sugar by the average workman than in any other country on earth.

H.R. 12154 runs until December 31, 1966. I present to this committee as earnestly as I can, the need of the industry that some long-

term pattern be established for the operation of the sugar properties supplying our needs.

For some time now, we have been operating on relatively short extensions and no one has known what the rules of the game would be for more than the immediate future.

Millions of dollars worth of plant betterment, of property and equipment renewals, of farm and plantation improvements have hung fire for months, in fact years, because of uncertainty as to the sugar legislative prospect for a reasonable future period.

On behalf of all the domestic sugar interests, I earnestly hope that you may act so that a new law covering the period proposed will be enacted prior to June 30.

We place our case in your hands.

The CHAIRMAN. Mr. Kemp, thank you.

Mr. Kemp, I want to ask this question.

Have you read the bill introduced by Senator Ellender for himself and 26 other Senators?

Mr. KEMP. Yes, sir.

The CHAIRMAN. What is your opinion of that bill?

Mr. KEMP. I think, sir, that in the consideration given to the domestic provisions of the bill, and it is to those only that I address myself, certain relatively minor amendments considered by the House have improved that bill somewhat in respect to the domestic provisions.

The CHAIRMAN. But the House-passed bill is quite different from the bill introduced by these Senators over here.

Mr. KEMP. Principally, sir, in its relation to the foreign aspects of the bill, the quotas of foreign countries, and what and how they should be handled.

The CHAIRMAN. Which bill would you prefer as a base to work on, the House-passed bill or S. 3290 introduced in the Senate?

Mr. KEMP. So far as the domestic provisions are concerned I see relatively little difference but I think the House bill has made some improvement.

The CHAIRMAN. You think it has made improvements by giving these quotas to countries all over the world.

Mr. KEMP. No, sir, because those are the foreign aspects to which I do not address myself.

The CHAIRMAN. I understand it is. Did you say it is an improvement in the domestic field?

Mr. KEMP. I think slight improvements in the domestic field. And I hope very much that Senator Ellender can, before this committee, express his very profound knowledge of this sugar problem.

The CHAIRMAN. We shall have Senator Ellender testify tomorrow. The committee has great confidence in his judgment of all matters relating to agriculture.

Mr. KEMP. Sure they do.

The CHAIRMAN. Thank you very much; any questions?

Senator CARLSON. Mr. Kemp, I noticed in your statement you represent the domestic industry as to the provisions of the House-passed bill.

Does that mean you are opposed to increase in acreage production should this committee ask for additional acreage?

Mr. KEMP. Senator Carlson, we, over a 6-months period, consulted and negotiated with nearly everybody in the Government. We first advanced the premise that the domestic industry should receive a somewhat larger share than was finally agreed to by the administration but we accepted that.

We are committed to that and we have agreed to endorse and approach it, which I do here today.

Senator CARLSON. Mr. Kemp, you are operating and processing, refining sugar in Colorado, as I understand it.

Mr. KEMP. Buying beets in Kansas, too.

Senator CARLSON. That is correct.

That is the reason I bring up this point. You are familiar with our problem. As our beets are processed in Colorado——

Mr. KEMP. Right.

Senator CARLSON (continuing). We have this freight haul and I think you would agree with me we have an area that can produce beets and does produce them and, of course, we would like very much to be given some consideration for an acreage that would permit a refinery in Kansas or in that area somewhere closer than some of your refiners.

I don't want you to misunderstand. We appreciate what you are doing for our sugarbeet growers now, but looking to the future, and this program is a 4½- or 5-year program, I am fearful myself if we do not take some action in this bill we will be limited pretty much to the area we have now.

Isn't it a fact that your refineries are producing to capacity?

Mr. KEMP. Senator Carlson, before me there are three members of this committee—Senator Kerr, yourself, Senator Curtis—who want to get the beet industry started in your respective States, processing in your respective States, and I have had delegations from all three States wait upon me in the hope that we might be persuaded to undertake construction.

I would like to see this industry maintain a healthy growth, because I believe that if it cannot maintain a healthy growth it must necessarily slide backward.

I believe that the provisions of this bill are sufficiently better than the bill under which we are operating so that we can look forward to some improvement, some enlargement in size, and I think that the size of the industry as established here has, by virtue of concessions on the part of the old growers, and willingness on the part of the new growers, made possible a rather substantial enlargement of the industry into areas where it is not now located.

Senator CARLSON. Well, Mr. Kemp, you are operating some very fine refineries in Colorado and if the time ever comes when we could get one in Kansas we would be greatly pleased if you would put one in for us.

Mr. KEMP. Thank you, sir.

Senator CARLSON. That is all.

Mr. KEMP. I think Senator Curtis might like to share the other half because in south-central Nebraska and north-central Kansas there is an irrigated area with some of the finest soil on earth.

Senator CARLSON. That is right.

Mr. KEMP. And yet I will say this frankly to you, as is also true of the Oklahoma Panhandle, one of the problems of building new beet factories is whether at present costs and present sugar prices you can earn enough on them to make them pay, and that is the big problem.

Senator CARLSON. That is all, Mr. Chairman.

Mr. KEMP. Rather than the size of the quotas.

The CHAIRMAN. Senator Kerr?

Senator KERR. You wouldn't want to be interpreted as taking the position that you want to keep the refining capacity either at its present level or to an expansion of it in its present location, would you, Mr. Kemp?

Mr. KEMP. No, I would not. On the contrary, I would immediately deny that as my objective or the objective of the industry.

Actually, as Senator Carlson has indicated, we have about reached the limit of capacity of our existing plants, and if we are going to do very much more, if we are going to keep up with the pace, it has got to be new building.

Senator KERR. If we are going to expand the domestic economy we are going to have to increase the capacity of those commodities or for the handling of those commodities for which there is increased demand, aren't we?

Mr. KEMP. I think so, sir, and we have heard a lot of talk about the balance of payments.

I think I might say one of the ways to act against the obvious difficulties that confront us is to produce some things we import in greater quantities than we do now.

On the other hand, Senator Kerr, the total domestic production of the United States is the second largest sugar output of any country in the world.

Mr. KERR. Who is the largest consumer in the world?

Mr. KEMP. We are, by long odds, and we are the second largest producer. Russia alone is ahead of us.

Senator KERR. There are three elements and I would like to ask you your opinion of them individually and collectively: No. 1, is expand the domestic industry in order to assist us in the matter of restoring a favorable balance of payments.

No. 2, increased domestic consumption to give American farmers who are being constantly restricted in the production of other commodities an opportunity to take land and put it into the growth of beets.

No. 3, to expand the refining capacity to expand our industrial economy, and I don't know of any other opportunity that I think is as attractive and as immediately present with us to do these three things as there is in this situation with reference to the production and the refining of additional sugar domestic production and domestic industrial refining.

Do you agree with those three?

Mr. KEMP. Senator Kerr, I am persuaded we should have had you as one of our negotiators with the administration.

Senator KERR. Are you telling us you agreed with the administration because you had no other choice?

Mr. KEMP. That is kind of a hard question to answer.

Senator KERR. Don't answer it.

You don't even have to take the fifth amendment to avoid answering it. [Laughter.]

If you just kind of intimated that the answer was the result of the attitude of others rather than your own judgment and desire, your message will be conveyed.

Mr. KEMP. Well, I think I can say this: That most of the new areas were somewhat disappointed that we agreed to accept the enlargement of the industry's share of this market that we did. On the other hand——

Senator KERR. You mean the limited enlargement?

Mr. KEMP. Yes, it is a limited enlargement. Of course, any enlargement——

Senator KERR. It is just so limited that it is difficult to find, isn't it?

Mr. KEMP. No, honestly now, and I am a beet man and while I am speaking for other areas, I can't forget that I owe my living and everything else to this beet industry. We have a better bill here; the beet industry's interest and share in this market, has been substantially improved.

We have now for the first time a definitely larger basic quota, which we can count on, and plan on, and make our plans accordingly. Before, we had to depend in very considerable extent upon somebody else not producing his quota, and we never found that out until August. We couldn't plan on it.

This is a better bill. It will permit the present industry to maintain its attained growth, and it will allow for the introduction into it of new areas like your own.

Senator KERR. Let me go back to my question again.

Do you know of another opportunity that is available to us that, No. 1, will improve our balance-of-payments situation?

No. 2, give our farmers and more farmers the opportunity to produce something for which there is a market, to be of help to them in the light of their being restricted in the production of other commodities.

No. 3, an expansion of our industrial capacity to handle that increased agricultural production.

Do you know of another opportunity available to this economy that has those three things inherent in it to the extent that this opportunity has?

Mr. KEMP. Sir, I cannot say because I cannot recall one at the moment. This is true.

Senator KERR. Well now, there is a fellow who said here 2 or 3 or 4 years ago that he couldn't remember when a certain man had participated in a decision, but if we would give him, if they would give him a week he would try to think of one.

You are not trying to pull that, are you? [Laughter.]

Mr. KEMP. No; I am not. I would like to say this, sir——

Senator KERR. I will ask the question in this way: Don't you think this is an excellent opportunity to do those three things?

Mr. KEMP. This is a nonsurplus industry.

Senator KERR. Mr. Kemp, I withdraw the question. I know the answer to it, and I think you do, and I don't understand why you are unwilling to answer it.

Mr. KEMP. Well, in part, sir, it is because I am here in a representative capacity representing other people besides the industry of which I am directly a part.

Senator KERR. That doesn't make a eunuch out of you.

Mr. KEMP. That may have happened on some of my previous appearances.

Senator GORE. Will the Senator from Oklahoma yield for one question?

Senator KERR. I am through. But I will yield for a question of my distinguished colleague, if he wants to ask one.

Senator GORE. I will follow along.

Senator KERR. I am through.

The CHAIRMAN. Any questions Senator Carlson? Senator Gore? Senator Smathers?

Senator SMATHERS. I haven't been here. I will only ask one question, but I don't want it charged to my turn if the Senator from Tennessee will yield for one question.

Mr. Kemp, I understand you testified before the House committee.

Mr. KEMP. Yes, sir.

Senator SMATHERS. Is the testimony you give today consistent with the testimony given before the House committee?

Mr. KEMP. The important part of what I said here, Senator Smathers, is that we reached an agreement after long travail, we have accepted it, and we present it to you with our hopes that it may be enacted into legislation.

That was the burden of what I said over there.

Senator SMATHERS. So then, your answer, like the Senator from Oklahoma, your answer is that what you are saying now is consistent with what you said before the House.

Mr. KEMP. That is correct.

Senator KERR. And with what you agreed with the administration you would say before you came here.

Mr. KEMP. Yes, sir.

Senator SMATHERS. That is his question, that is not mine.

I thank the Senator from Tennessee.

The CHAIRMAN. Senator Gore?

Senator GORE. Well, you said you were testifying in behalf of a group of people. Just as an American citizen, and purely as an individual, what, in your personal opinion, would be the effect on the domestic industry of the global quota.

Mr. KEMP. Senator Gore, as I have said here, I am speaking in a representative capacity. The people for whom I speak are not entirely harmonious. They represent different interests and to some extent they are both competitive and antagonistic; that they can voice their belief through the mouth of a single witness is something in the nature of a miracle. They have not taken a position, on the advice of Members of both the Congress and the Government, on the foreign provisions of the bill, and speaking here as a representative I am not in position to speak my own personal views.

I am bound by my representative capacity, and I hope you won't force me to do so.

Senator GORE. Well, I have neither the power nor the desire to force you.

Mr. KEMP. Thank you very much, sir.

Senator GORE. I gather, at least I have come to the conclusion, from your answer that your personal views might not be commensurate with the views of some of the organizations which you represent. You do not have to confirm that.

Mr. KEMP. Sir, I will let you draw your own conclusions. Thank you.

Senator GORE. You have neither the power nor the desire to deny me that.

Mr. KEMP. That is right, sir. Certainly not the desire.

Senator GORE. I would like to ask one other question.

If we greatly increase the domestic production, is that going to make sugar for the housewife more or less expensive?

Mr. KEMP. I don't believe that the housewife would pay any more for sugar. But I would like to say this, Senator Gore, because I have some feeling that I would like to preserve the integrity of my own thinking about the industry.

We have always had the problem of how much sugar to produce at home and how much to import, and I don't need to tell any member of this committee that it is a good thing for us to import some sugar in order that the people who sell it to us can buy from us.

For the 30 years that I have been in this business, there has been discussion as to how much we should produce and what it was in the interests of the country to import.

I think we should import some sugar, and I think the size of this quota, extending as it does for the next 4½ years, will fairly permit the domestic industry to find itself on a somewhat higher level of production. And when we get to the end of this bill, and we have been running at 4-year intervals, we can take another look at it to see whether the circumstances at that time counsel us to increase further our own domestic production or whether they counsel us to stay about where we are.

Senator GORE. But it is your view that the housewife will pay about the same for sugar whether it is produced domestically or imported?

Mr. KEMP. I do, sir, because I think the price of sugar in this country is a fair price.

Senator GORE. Well——

Mr. KEMP. And it can be maintained at a fair price.

Senator GORE. The subsidy to domestic producers is rather high; isn't it?

Mr. KEMP. In the first place, of course, I don't think the word "subsidy" has been fairly used.

Senator GORE. What would you call it, the payment, the tribute, the supplement, the bonus, what word would you use?

Mr. KEMP. Well, let me say this: The only comparison that has been made is to take the price of sugar in this country and compare it with the world price of sugar.

Now, the world price of sugar is not a free price, sir. The buyer and the seller in that market do not stand on an equal platform of opportunity. It is a dumping market, handling only about 10 percent of the sugar produced in the world, and I do not quote from any U.S. authority. I go across the water to quote from the English, to quote from others. There isn't a pound of sugar being sold in the world

market that isn't being sold at less than the costs to produce. I don't think that price should be used as a criterion. I would rather take what I have said, namely, that the FAO which is a disinterested body studying sugar prices throughout the world, has said that the price in the United States is about the average of sugar prices over the world.

Senator GORE. You didn't give me a synonym for subsidy.

Mr. KEMP. As it was used yesterday—just a minute, let me see——

Senator GORE. With what word would you describe this bounty, this payment, this supplement, this support price.

Mr. KEMP. I think it can be accurately referred to as it was referred to yesterday as the difference between the price of sugar prevailing in America and the price of sugar prevailing on the world market, and that does not necessarily mean that it is a subsidy, because the world price——

Senator GORE. What word would you use? That is what I am trying to determine.

Mr. KEMP. Well, if it is understood you could use price premium, the premium of one price over the other.

Senator GORE. Then this is a payment from the Government of the United States to the domestic producers.

Mr. KEMP. No, sir; the price that prevails in this country is made possible by the fact that we have a quota system.

Senator GORE. I understand.

Mr. KEMP. That it——

Senator GORE. Not paid by the taxpayer directly to the farmer, but by the consumers.

Mr. KEMP. Yes, but there are two phases to the price that the producer gets here:

One, is the price that prevails in the marketplace;

Two, the other is this tax and payment plan which returns to the beet producer a certain part of the price plus some little increment.

Senator GORE. Have the people or the organizations which you represent taken a position with respect to the farm bill that passed the Senate and is now pending in the House?

Mr. KEMP. No; because we have been so accustomed to regulation that we merely observe that it looks like production limitation is going to catch up with some other people.

We have had a real effective control of production in the sugar field.

Senator GORE. Do the farmers you represent like to have controlled production and price support?

Mr. KEMP. No; nobody likes controls, sir, I am sure.

Senator GORE. Are you advocating that all controls be taken off?

Mr. KEMP. No, because I don't know what we would do without regulation of an industry that is so competitive over the whole world.

Senator GORE. Then you favor regulation?

Mr. KEMP. I do.

Senator GORE. Did it ever strike you as rather strange—I won't speak of my colleagues in the Senate—that certain Members of the other House who are very much opposed to this regulation of production contained in the farm bill are very strong supporters of regulation in the sugar industry?

Mr. KEMP. No; I don't think I ever gave that particular subject any thought. I don't think I could answer it anyway.

Senator GORE. All right, I will not prod you into it.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. Yesterday afternoon, Mr. Chairman, there were some questions raised about the validity of this statement that from 625,000 to 650,000 tons had been added to the mainland beet and cane quotas, and I pointed out and tried to get some figures and couldn't, that part of this was replacement of deficit, but overnight I have developed these figures, and I should like to offer for the record a brief explanation of the figures, and a table showing how, between the years 1957 and 1962 these deficits had been added to the allocations to the beet industry.

I have no questions of the witness. I ask that this explanation and table be included in the record.

The CHAIRMAN. Without objection your material will be inserted in the record.

(The explanation and table referred to follow:)

There were several references in the testimony yesterday to the increase in the beet sugar quota and the mainland cane provided by the bill. I believe the figure most often used is about 625,000 to 650,000.

The House report used a figure like this, and so did the letter from the administration to the Vice President, transmitting the administration bill to the Senate.

Now, as I understand it, the true increase in the domestic beet and mainland cane quotas is actually less than 400,000 tons—and only 250,000 tons of this accrues to the domestic beet area.

The reason is that the figures usually quoted fail to take into account the deficit allocations, which are an important part of the picture.

The present law provides that when any domestic area fails to meet its quota, the shortfall or "deficit" is allocated to other domestic areas. Neither Puerto Rico nor Hawaii, in recent years, has been able to fill its quota and neither will be able to do so this year, and so both the domestic beet and mainland cane areas would, under the present law, receive additions to their quotas this year. These allocations would raise the domestic beet quota to within 250,000 tons of the new quota provided by this bill, and would raise the mainland cane quota to within 145,000 tons of the proposed new quota.

So the total difference for these two areas between the present law is really only 395,000 tons and not 625,000 tons.

Under the bill as we know, domestic areas will no longer receive any deficit allocations.

I have a table here which I have had worked up, showing the real differences between the present law and the bill—for mainland cane and domestic beet—for the whole term of this bill.

With your permission, Mr. Chairman, I would like to have this inserted in the record at this point.

Deficits received by beet sugar area, 1957–61 and estimated for 1962

[Thousand of short tons, raw value]

Year	Deficits received from—			Total
	Hawaii	Puerto Rico	Virgin Islands	
1957	21	101	1	122
1958	148	141	5	294
1959	95	126	3	224
1960	172	249	6	427
1961	168	263	0	431
1962 [1]	90	200	-------	290

[1] Estimated on basis of current crop prospects.

The CHAIRMAN. Any questions, Senator Talmadge?

Senator TALMADGE. No questions.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Mr. Kemp, we are always glad to get you over here.

Mr. KEMP. Thank you, Senator Curtis.

Senator CURTIS. I have to get in my 2 cents on the question of subsidies.

Is it true or not, as to the taxpayer, does the Treasury of the United States pay any part of the price of sugar used by our people, I mean ultimately, when the transaction is completed?

Mr. KEMP. If you want to take the final result, Senator.

Senator CURTIS. Yes.

Mr. KEMP. I believe that the House report shows that the Treasury of the United States by virtue of the processing tax of the half cent a pound which is levied against sugar has during existence of this sugar system received over $400 million. The Treasury has had that much more than it would have had if this system had not been in effect.

Senator CURTIS. In other words, the processing tax that is levied is paid ultimately by the purchaser of the sugar, isn't that correct?

Mr. KEMP. That is right.

Senator CURTIS. And from the proceeds of that tax the payments to the growers are made?

Mr. KEMP. That is correct.

Senator CURTIS. And the cost of administering the program?

Mr. KEMP. Correct.

Senator CURTIS. And the Government of the United States ends up with a profit of somewhere between $15 and $20 million a year.

Mr. KEMP. I think Mr. Myers said yesterday about $18 million a year.

Senator CURTIS. Yes.

As I say there are many definitions of a subsidy, but the one that reasonable people understand would be a situation where if a loaf of bread sold for 20 cents, and the purchaser paid 15 cents, and the Government out of revenues paid 5 cents, but we have no such thing here.

The users of the sugar pay for all the sugar they use, isn't that correct, and the fact that it is channeled through a processing tax and

then as a payment to a producer, is a procedure in the operation of a farm program rather than a subsidy to either the producers or the consumer, isn't that right?

Mr. KEMP. Thank you very much for that contribution. That is the fact.

Senator CURTIS. Now, Mr. Kemp, is it not also true that it is in the interest of producers, refiners, the general public, and everyone that a sugar act be extended for a reasonable period of years?

Mr. KEMP. Indeed it is, Senator Curtis.

I was amazed yesterday to find that in 3 or 4 hours of discussion of this bill there wasn't a good word said for it. There ought to be a lot of good words said for this program. This has been not only a sound but it is—it has been a successful program, the country has benefited from it.

If you look at the chart on page 3 of the House report you will see that sugar—and I calculated this only about 6 weeks ago—is only 2 percent higher, the raw sugar price in this country, than it was when we went off price control in 1947, and I would like to see some other commodity——

Senator CURTIS. In other words, this basic Sugar Act has stabilized the industry at home and abroad, has it not?

Mr. KEMP. It has.

Senator CURTIS. And sugar is the best bargain that the housewife has when she goes shopping.

Mr. KEMP. Today.

Senator CURTIS. I am concerned about that because as has been stated here so many times, my obligation is twofold: we have a great sugar industry in Nebraska now that is entitled to have this program extended and to have all of their rights, their acreage quotas protected as are the processors.

I realize you are in more than a dual capacity here, speaking for an entire group and some of them have not taken a position on every detail or can agree on it and I also realize there are limitations not only to testifying here but in sitting down and agreeing with the Government.

So most of my questions will be largely for information.

When a farmer produces sugarbeets how is the freight handled, who pays it?

Mr. KEMP. Up to a certain point the processor pays it.

We have extended our operations so far from our factories, and freight rates have gone up, as we all know, so that in some of the long hauls the grower pays the freight over and above a certain level that the processor absorbs and that affects some of your territory, sir, and some of Senator Carlson's, also.

Senator CURTIS. Yes, sir, and you find, do you not, that farmers are so anxious to participate in this program that it is not uncommon for them to willingly——

Mr. KEMP. Absorb some freight? Correct.

Senator CURTIS (continuing). Absorb some freight, and it can run many hundreds of dollars a year.

But the distance that the beets are produced from the processing plant as well as the capacity of the plant are factors that place bounds and limitations upon the area to be served, isn't that correct?

Mr. KEMP. Indeed they are, sir.

Senator CURTIS. Yes.

Is it your opinion that the administration estimates were correct and if those sections relating to the domestic program are passed, we can have an expansion of plant for a 5-year average, do you think that is correct?

Mr. KEMP. Yes, indeed, sir.

Senator CURTIS. I do not agree with the amount but I wanted to check on whether or not the industry agreed with the Government that the language that has been proposed would bring that about.

Mr. KEMP. They do, and if they, sir, can find the money and invest it with reasonable profit, and I am sure investments must be based upon a reasonable profit expectancy, we can grow another hundred thousand acres of beets in areas that do not now produce them.

Senator CURTIS. Yes.

How much, just roughly, of the sugarbeet production is on irrigated land?

Mr. KEMP. There are only two principal nonirrigated areas, one is the State of Minnesota, the Red River Valley, extending down into southern Minnesota and into northern Iowa, and the other is the State of Ohio—States of Ohio and Michigan.

There is no irrigation in any of those areas, and that is not over 12, 13—well, with the Red River Valley, it may be 20 percent of total production.

Senator CURTIS. The greater portion is in irrigated land.

Mr. KEMP. Correct.

Senator CURTIS. Now, the amount of irrigated land that is not in prospect but that has been proven has greatly increased since the original allocations were made when the Sugar Act was passed, isn't that true?

Mr. KEMP. Yes, that is right.

I think we have got irrigated land in Oklahoma. I know there has been some increase in the irrigated development of Nebraska, northern Kansas.

Senator CURTIS. Yes.

At the present time, there are 2½ million acres of irrigated land in Nebraska and our sugar acreage is around 77,000, about 3 percent. I think that is all I will take time for at this time.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Kemp.

Mr. KEMP. Thank you, sir.

The CHAIRMAN. The next witness is Howard Martin of the New Mexico Beet Growers.

STATEMENT OF HOWARD V. MARTIN, REPRESENTING THE CURRY COUNTY SUGAR BEET ASSOCIATION

Mr. MARTIN. Mr. Chairman and members of the Senate Finance Committee, my name is Howard V. Martin, executive vice president of the Clovis National Bank, Clovis, N. Mex., and I represent the Curry County Sugar Beet Association of Curry County.

On behalf of this association I wish to express our appreciation for this opportunity to present our remarks for the record in this hearing.

Our county is located on the eastern edge of New Mexico, midway with respect to the north and south boundaries of the State.

About one-fourth of the cultivatable area of our county, something around 100,000 acres, is under irrigation.

At the present no sugarbeet acreage is under production in our county, with the exception of a few test plots and in a relatively few acres being grown experimentally for livestock feed.

We are interested in long-term sugar legislation which will permit our irrigation farmers to improve their lot, economically speaking.

The purpose of our testimony will be to briefly point out why, as a nonproducing area, we feel domestic production of sugar should be greater than is at present allowed. We would not attempt to recommend how much increase in terms of percentage for the reason we are not qualified to base such a recommendation on fact.

We realize the problems this committee faces, taking into account the different growing areas and the areas not producing who wish to do so; the problems between the cane and beet interests; the problems of the refiners; the concern of the Department of State, and so forth. But we do believe sincerely if you appreciate the desire of the American farmer to receive a fair return on his investment, on his hours of labor and with the risks they face in today's business of farming, then we believe you will arrive at a fair increase for domestic producers, whoever and wherever they may be and whatever the percentage of increase might be.

This is basically what we request—the chance for a little more diversification into a commodity which offers some degree of promise for a profit, and which is not a surplus crop in this country.

Perhaps the No. 1 prerequisite for any new legislation is to first determine the need for such legislation. Is there a need for a permanent sugar law, incorporating more domestic production?

We think so.

We believe there are several reasons which have been previously pointed out since the beginning of short-term extensions of the present act almost 3 years ago.

Among these valid reasons are:

(1) This is a crop not in surplus, which could replace many thousands of acres of crops now in great surplus.

(2) Sugar is an important crop to our standard of living and we should not be dependent for so much of it from oversea (and in the future, possibly uncertain) sources.

(3) This crop is basically good for the soil. Sugar is nothing more than carbon, hydrogen, and oxygen—none of which is chemically important to the productivity of the soil. This does not deplete land, like cotton, for example.

(4) Our farm economy is in need of a "shot in the arm." This is the underlying philosophy of the rural area development program, to which we ascribe and to which we in Curry County, N. Mex., already have set up the rural area development organization to implement this program.

If several multimillion-dollar refining plants could be built in this country as fast as industry could economically gear itself, such production increase could put hundreds of people to work in the plants, could put many thousands more to work in construction employment and on-the-farm jobs.

You can readily appreciate this economic advantage to our country. We feel such an increase needs to be a gradual and sustaining thing—an increase, not just to satisfy the cries of the present, but for the years to come so as to permit industry to orderly program future growth and expansion.

(5) We think we need to promote the general welfare of our own people—the producer, the consumer, the investor.

Certainly we are not opposed to importation of sugar from foreign sources. Although we do not understand the full implications of foreign trade, we do appreciate the necessity of favorable trade balance, the need for assisting underdeveloped friendly nations and the humanitarian responsibilities of a world power. As stated before, we are not opposed to foreign sugar purchased or the foreign farmer, instead we are for the American farmer.

These are not all the reasons which might be advanced to establish the need for increased sugar production, but we think they serve to illustrate the point.

If, for the sake of assumption, we might conclude the need exists for such an increase, then the second point which we would mention is the suitability of our area to sugarbeet production.

Mention was made earlier of some test plots which were planted in our county last year. Without the benefit of previous experience with this highly specialized crop and without the proper farm equipment, these tests produced quite satisfactory results.

To quote from the report on new area trial plots conducted by one of the beet sugar companies looking into the Southwest:

> Trial plots at Clovis, Roswell, and Artesia, N. Mex., have all been very encouraging to date, with most of them indicating that very heavy yields could be expected.

This was the statement by the director, agricultural development of the company who kept in frequent communication with our county agent, in addition to making numerous inspection trips to our area throughout the growing period.

These results were particularly heartening to us for it proved conclusively a quality beet could be grown in our area.

Not that this will have a great deal of bearing on this hearing, but to further illustrate our concern for the chance to produce beets, Swift & Co. is currently building a 2¼ million beef slaughtering facility at Clovis.

Sugarbeet production would stimulate the feed lot business in the eastern New Mexico-west Texas area which would help guarantee a constant flow of fed cattle to this plant.

It is an established fact that the sugarbeet industry provides cheap and efficient byproducts helpful to produce ideal fattening cattle and sheet rations with grain and hay.

Farmers can utilize these byproducts if a refinery is located anywhere in the general vicinity. Deaf Smith and surrounding Texas counties located east of our county now produce about 1,900 acres of beets which have to be transported by rail to the nearest refinery about 350 miles away.

Naturally this transportation cost is high, and besides it precludes the farmers use of these important byproducts. Beet tops are an ideal feed for milk cows and definitely stimulate milk flow and but-

terfat production. This takes on added significance for our area because Safeway Stores, Inc., are now constructing a large fluid milk plant at Clovis.

As you can see, this can be worth a great deal to us in rounding out our agricultural economy, in fact our whole industrial development program built largely on the one natural resource we possess—agricultural and related products.

Gentlemen, in summation, we ask you first of all to view with favor a large enough increase in domestic production of sugar so as to aid the industry and the producer and the would-be producer.

Secondly, to incorporate this increase in a long-term law to permit an opportunity to all concerned for long-range planning; and third, to report out your bill at the earliest possible time in order to prevent another temporary extension of the present act.

Mr. Chairman, since my statement was prepared before the hearings yesterday, I would like to add a further comment.

The principal reason that the farmers of my area have been stymied in planting sugarbeets during the past 2 years when there have been no restrictions is because the beet sugar companies have no assurance that production will be available to support their operation if restrictions should be reimposed.

The mills have expressed a strong interest in our area. The farmers want to grow beets, they are capable of doing so, but there is no way of getting an acreage history so that they can obtain sufficient acreage to support a mill. I want to compliment Senator Kerr and Senator Anderson on their proposal to amend the legislation so as to provide an acreage history to farmers in the new areas.

If we can get this sort of amendment in the administration bill we can support it wholeheartedly.

We would then feel we have something to tie to and would be willing to take our chance on qualifying for an allotment of a proportionate share to our area for establishment of a sugar factory.

Again, Mr. Chairman, I thank you and the members of the committee for the opportunity of appearing and presenting this statement.

The CHAIRMAN. Thank you very much, Mr. Martin.

Senator Hruska, I didn't know you were in the audience, sir. Would you like to make a statement? I believe you were listed to testify tomorrow.

Senator CURTIS. Mr. Chairman, I think I can clarify the situation here.

The next scheduled witness is a beet grower from my home community. I have called upon my colleague, Senator Hruska, to present him because Senator Hruska is here to offer a statement, too, and Mr. Weedlun, if you would come up here also, I will have something more to say later on, have some material put in, but I will turn this over to my senior colleague at this point.

The CHAIRMAN. The Chair recognizes Senator Hruska.

Senator KERR. Before he does make his statement, I want to say to the distinguished Senator Hruska that the gentleman from Nebraska, whom he is introducing, is presenting a viewpoint similar to that which Mr. Martin has just presented, and in which Oklahoma is equally interested.

He not only comes on a good mission and introduced by a great Senator, but it just happens that he is a neighbor to one of the able men in my office, who has been up here three or four times, wanting to know when Weedlun was going to be here.

So, I am glad you are bringing him, Senator Hruska.

STATEMENT OF HON. ROMAN L. HRUSKA, U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator HRUSKA. Mr. Chairman, and members of the committee, I do hope Mr. McBride of Senator Kerr's office is here so that he will hear the testimony of this witness, who will speak to you shortly.

My purpose in coming here is twofold.

One is to submit a very brief statement which I will give to the reporter here in the interest of saving time.

No one is more keenly aware than I that the legislation with which you are wrestling is complex, since it goes into national and international policies.

The laws of economics and finances are involved, and in this committee the bill certainly finds a home, and finds company with many measures of similar complexity.

My colleague from Nebraska, Senator Curtis, is regarded as one of the outstanding experts in this field and he deserves the high regard in which he is held because of his long years of experience.

Mr. Chairman, I would like to submit this brief statement to the reporter for inclusion in the record at this time.

The CHAIRMAN. Without objection.

(The statement referred to follows:)

STATEMENT OF SENATOR ROMAN L. HRUSKA BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman, I appreciate the opportunity to appear before your committee in connection with legislation to amend and extend the provisions of the Sugar Act of 1948.

I wish today to make two principal points. This first is that the people of Nebraska support an extension of the Sugar Act because they want full protection to the present growers and present processors in our State. They are an important part of Nebraska's basic industry of agriculture.

The second point I wish to stress is that domestic quotas should be increased so that the thousands of farmers who desire to raise beets can have increased opportunity to do so. This can be done only under terms of a bill which would make it feasible to erect additional processing plant capacity in Nebraska.

My distinguished colleague, Senator Curtis, who is a member of this committee, has long held a lively interest in sugar legislation and is properly regarded as an expert in the field. I join in his views on the pending bill and share his gratification that there is in the measure a provision for an increase in domestic sugar allotments from their present 55 percent of American consumption to nearly 60 percent.

As Senator Curtis testified before the House Agriculture Committee, this bill does not completely satisfy those in the domestic industry who are in favor of greater increases in the domestic allotments. Certainly, in Nebraska, there is the capability to produce a substantially larger number of beets on 2½ million acres under irrigation.

In a time when the American agricultural economy is plagued with billion-dollar surpluses, costly to maintain it is difficult to argue against a proposal which would shift the acres now contributing to the grain surplus to the production of sugarbeets.

Not only would such a plan have a beneficial result from a purely agricultural standpoint, but because increased acreage means increased processing facilities,

there is an escalating benefit in additional plant investment, employment, transportation, and related activities. But certainly no one could expect processors to invest in new plants without assurance, as only the Congress can give, that added acreage and increased domestic quotas will be available for some time.

As the committee well knows, previous increases in domestic allotments, by and large, have not contributed to the bringing of new land under sugar production. This is because established areas simply increased their output per acre. The per-acre yield of sugarbeets is almost twice what it was at the beginning of the century.

Finally, Mr. Chairman, I should like to say a word about a "myth" since that terminology seems to be so popular these days. I submit the contention that the sugar industry is getting a free ride at the expense of the American taxpayer and the American consumer—who after all, are the same person—is a myth.

The truth is that there is no world price for sugar in the real sense. Practically every sugar-producing country has some kind of program and approximately 90 percent of the sugar sold on world markets is at a price which results from these programs and is in line with our own.

Mr. Chairman, I thank the committee for its courtesy in allowing me to appear.

Senator HRUSKA. And then introduce to the committee——

Senator GORE. I would like to observe that I think it is the first time I have heard a Member of the Senate say he would prefer someone other than himself to make a decision. [Laughter.]

Senator HRUSKA. If the Senator from Tennessee would permit, I should like to say just to cut away the underbrush and do some of the toil on the issue before final decision is rendered on it, and on that score I will abdicate my vote to no one, not even to my good colleague here. [Laughter.]

I take great pleasure, Mr. Chairman, in introducing to the committee Carroll Weedlun, of Minden, Nebr. He is 43 years of age; he is a veteran; he has glider pilot experience in the service. I asked him, "How shall I introduce you? What shall I say about you?"

And he said, "I am just a farmer," and Mr. Chairman, I know of no prouder title or characterization than to say that this witness is just a farmer, a farmer who has a hundred acres of sugarbeets, a farmer who does some cattle feeding and has diverse crops in addition to that.

His fields of sugarbeets are irrigated, some of them by pump, some of them by gravity, and so I submit to you that his isn't just a voice from the grassroots; it is a voice from the sugarbeet roots. I imagine that that would be as salutary a thing to have by way of getting the record to balance as any.

So, I want to introduce one of Carl Curtis' neighbors from Kearney County in Nebraska, Mr. Carroll Weedlun. With your permission, Mr. Chairman, I would like to excuse myself and contribute what efforts or time I can to another committee which is sitting at this same time.

The CHAIRMAN. We are always happy to have you here, Senator Hruska.

Senator HRUSKA. Thank you.

The CHAIRMAN. Mr. Weedlun, you take a seat. You have been very highly complimented and I have no doubt you will make a statement which will justify all the nice things which have been said.

STATEMENT OF CARROLL WEEDLUN, MINDEN, NEBR.

Mr. WEEDLUN. I don't think I have ever had an introduction like that before in my life, and I will tell you this just completely snowballs me.

My name is Carroll Weedlun. I am a farmer and cattle feeder from Minden, Nebr. I farm ground my grandparents homesteaded when they came from Sweden. My farm consists of nearly 400 acres. It is irrigated by both a deep well and by gravity. I plant about 100 acres of sugarbeets every year. The balance of my land is in corn, milo, alfalfa, and the feed grain program.

The day before yesterday I was out in the field on my tractor where I was urged by a committee to come to Washington to appear here in behalf of all my neighbors and the farmers generally of our area because the expansion of sugarbeets is a vital need. It is most important and a constructive thing that could be done for our entire agricultural economy. While I am going to tell you of my farming operation, and I will speak concerning my own county and surrounding counties because I am familiar with the situation there, I favor an expansion of sugarbeet production for the benefit of all the farmers not only in all of Nebraska but in every State, including those States represented by the Senators on this committee. There is no personal gain for me in this promotion—frankly, I would rather be out on my tractor right now, and that is for dang sure.

Our area is a good sugarbeet producing area. There have been times under the most favorable conditions when I have had a sugarbeet field that produced as much as 19 tons per acre. Last year my beet yield averaged between 14 and 15 tons per acre which was about the average for our area for that year.

I received $12 per ton, or approximately $175 per acre for my beets. My cost in producing the beets was a little over $100 per acre, so I netted approximately $70 per acre on my beets. Comparing this with my corn crop, which was 90 bushels or $90 per acre, with my cost at $55 per acre, I netted $35 on corn or just about one-half what I netted on beets. You must also consider that beet ground has twice the value of corn ground after harvest in pasturing livestock.

I am one of the very few farmers in Kearney County that has a beet acreage. The history of beet production on that farm was started soon after I returned from service in World War II when the farm was under the active operation of my father. The vast majority of farmers in my area have no beet acreage at all. The beets that I raise are shipped to Sterling, Colo., a distance of 200 miles, because there is no sugarbeet factory in that part of south-central Nebraska. The freight on beets from my home to Sterling, Colo., is $2.08 a ton. The Great Western Sugar Beet Co. pays $1.50 of this but in order to have some participation in beet growing and to hold my acreage I, the producer, must pay the balance of the freight cost.

Beet production of 12 tons per acre, which nets the producer $12 a ton, enables him to make some money and stay in business. Greater profit is more desirable but the point I wish to make is that the area of which I speak would never fall in the category where the beets would be unprofitable and would likely be discontinued. Our area, if given an acreage quota, will not abandon beet growing during periods of temporary change in our agricultural economy.

My illustration is nothing unusual or outstanding but it is typical of the situation in my area. However, this applies only to the few of us who have a sugarbeet history and a contract to produce sugar. Without a sugar history, no farmer, regardless of his irrigated land, his equipment, his intelligence, or his capacity to produce excellent crops can produce beets at present, but rather he is forced to add to his own problems and that of agriculture generally by continuing to produce surpluses.

We have in Kearney County about 90,000 acres of irrigated land. This is from gravity and deep wells. We are only growing 1,468 acres of sugarbeets. The farmers in our area are very anxious to grow sugarbeets. The demand for acreage is very strong as it is in similar areas.

We are restricted as to sugarbeets because of the law and the limited capacity of our sugar refineries. If a sugar bill was passed increasing the acreage allotment for a period of a number of years, I am sure that the sugar companies would be willing to put a refinery in our area and in every deserving area.

Of the 90,000 acres of irrigated land in our county, 35,000 of this is irrigated by the Central Nebraska Public Power & Irrigation District, and about 55,000 acres are being irrigated by the wells put in at the farmer's own expense.

In an area in south-central Nebraska which consists of 14 counties, we have a total of approximately 700,000 acres of land irrigated by these 2 methods.

It is safe to say that a minimum of 10 percent, in fact much more, or 70,000 acres, are highly suitable for immediate sugarbeet production.

Yet this entire 14-county area has less than 3,000 acres of sugarbeets. A similar situation prevails in many other parts of Nebraska and in north-central Kansas, which is very close to us, and I am sure in other places.

Surplus crops grown in this area could be reduced with the production of sugarbeets. This would contribute to a reduction of the cost to the taxpayers of the farm program.

The high proven production of sugarbeets in our area is a major asset. We have excellent transportation facilities to ship our sugar to eastern markets. A very high type of labor is available.

The soil is as good as anywhere and it has proven, under irrigation, to be highly productive.

Nebraska is the second largest meat-producing State in the Nation. Added sugarbeet production would greatly benefit our livestock feeding industry.

Mr. Chairman, I referred to the demand of the farmers of my community and of surrounding territory for an opportunity to raise sugarbeets. To call it a demand is to put it mildly.

Our desire to participate in this program is intense. Many of them talk to me about it. It is a subject of discussion at sale barns and other places where men gather. I know that countless requests are made constantly to the county agent, the county ASC office, and to the representatives of sugar companies.

The farmers are concerned not only with their individual problems, but they see in a sugarbeet expansion some ray of hope concerning our overall agricultural problem throughout the country.

I know of many capable, well-equipped and experienced farmers of irrigated land who are just begging for beet allotment. We cannot understand why as much as 40 percent of the sugar used in this country must be, by law, imported from foreign countries. The Congress alone can change this situation.

A conservative estimate in my own county is that sugarbeet acreage could be increased from its present 1,468 acres to over 9,000 acres. I would like to illustrate just what would happen as soon as we could double the county's acreage or have 1,500 additional acres. This would provide 50 farmers a 30-acre beet allotment. They would immediately purchase equipment costing on the average of about $3,000 or $150,000 worth.

There would probably be 150,000 bushels less corn raised. There would be 150,000 bushels less corn to be store or to be supported in price. The income for this particular acreage would be doubled for the 50 farmers participating.

A definite contribution would be made to livestock production. Plant investment, wages, and other benefits would come from the transportation and processing of the beets. The income upon which taxes are paid would be increased for many taxpayers.

In closing I want to express the hope that this committee will make the greatest expansion of domestic sugarbeets possible. I come here not as a legislative expert. I am not here to give advice on the many problems in the field of foreign affairs. I am a farmer pleading in behalf of all farmers everywhere for an opportunity to have a greater part in supplying the sugar needs of our own American people.

The CHAIRMAN. Thank you very much, Mr. Weedlun, for a very able statement.

Senator Curtis, did you have some questions?

Senator CURTIS. I will offer some material after everybody else has some questions first.

Mr. WEEDLUM. Thank you very much, sir.

Senator CURTIS. Mr. Chairman, at this point I would like to insert a telegram from Governor Morrison of Nebraska, a telegram from Mr. Fred Seaton, the former Secretary of Interior, and a selected group of other telegrams which I will not enumerate. I would like to have those appear in the record at this point.

The CHAIRMAN. Without objection.

(The telegrams referred to follow:)

LINCOLN, NEBR., *June 20, 1962.*

Senator CARL CURTIS,
Senate Office Building,
Washington, D.C.:

As Governor of a major sugar-producing State with rapidly expanding irrigation acreage, vital to the State's economic development, I strongly urge extension of the Sugar Act which has worked well for many years. Nebraska has a wealth of experienced sugar producers, and the capability of extensively increasing its sugar acreage. This legislation is needed as the basis for the additional sugar-processing facilities which we are hopeful of bringing into our State, which would add stablity to our State's agriculturally oriented economy.

FRANK B. MORRISON,
Governor of Nebraska.

HASTINGS, NEBR., *June 20, 1962.*

Hon. CARL T. CURTIS,
U.S. Senate, Senate Office Building,
Washington, D.C.:

I will deeply appreciate it if you will bring the following statement of my views concerning the pending sugar legislation to the attention of Chairman Byrd and the members o fthe Senate Finance Committee.

"It is a matter of record that many Nebraska farmers are now producing sugarbeets and the processing of that crop is a vital part of the economic life of several of our communities. Therefore, I respectfully urge that the Sugar Act be extended for several years. I also believe it is vital to the future economy of this State and others in the West that domestic producers' quota for sugarbeet production be materially increased. In my opinion, the House of Representatives made a commendable beginning in that respect by the action it took on Tuesday. As you know, the bill passed by the House would provide that approximately 60 percent of the U.S. sugar needs would be provided by domestic producers, whereas they now are allowed to provide approximately 54 percent. That same bill would also allow domestic producers to participate in 63 percent of the domestic market growth instead of the present 55 percent. I hope the Senate will make further substantial increases in the domestic production ceilings as allowed by the House action.

Since the original Sugar Act was passed, Nebraska has increased its irrigated acres manyfold, much of it by private enterprise. Even though the soil and climate in many of our counties are favorable to the profitable growing of sugarbeets, a number with well-developed, irrigated land have little or no sugarbeet production under present restrictions. Hundreds of additional farmers would welcome the opportunity to raise beets and many communities are interested in the establishment of sugarbeet factories, if a domestic production increase is allowed. Because of my continuing interest in the welfare of agriculture with particular emphasis on the Western States with which I worked closely during my term as Secretary of the Interior, I do hope the Members of Congress will enact into legislation a Sugar Act which will be beneficial to our economy. The expansion of our domestic sugarbeet industry will be a most important step in improving the lot of our basic industry in this State and region which is agriculture."

FRED A. SEATON.

LINCOLN, NEBR., *June 19, 1962.*

Senator HARRY F. BYRD,
Senate Office Building, Washington, D.C.:

The Nebraska State Grange favors an increase in the domestic sugar quota to reflect 100 percent of the gross factor with adequate provisions for expansion of beet sugar production by new growers.

G. A. SPIDEL,
Master of Nebraska State Grange, Lincoln, Nebr.

LINCOLN, NEBR., *June 19, 1962.*

Hon. HARRY BYRD,
U.S. Senate, Washington, D.C.:

The American farmer needs and deserves the opportunity to produce more of our country's sugar needs. The agricultural situation dictates the switch to nonsurplus crops. We respectfully request your support for sugar legislation providing (1) 100 percent of growth factor be allocated to domestic producers; (2) 60 percent of this growth factor be designated for new growers and new areas.

WARREN H. CURRY,
President,
WINTON BUCKLEY,
Chairman,
Agricultural Committee, South Platte United Chamber of Commerce.

SUPERIOR, NEBR., *June 19, 1962.*

Senator HARRY BYRD,
Senate Office Building, Washington, D.C.:

I strongly urge more consideration for the American farmer in proposed sugar legislation.

I feel 100 percent of the growth factor should be retained and adequate provisions made for new growers in new areas that will result in new factories.

MINOR BAIRD,
President, Farmers State Bank.

ELWOOD, NEBR., *June 19, 1962.*

CARL T. CURTIS,
U.S. Senate, Senate Office Building, Washington, D.C.:

Retel, about 20 acres beets in county now; 20,000 acres irrigated land in county. We should be able to handle 3,000 to 5,000 acres in a few years.

MAX JUNKIN.

HOLDREDGE, NEBR., *April 19, 1960.*

Senator CARL T. CURTIS,
Washington, D.C.:

Retel: 1,300 acres sugarbeets this year. Demand for additional acres, yes, if weed and labor problems can be solved; 100,000 acres suitable for beets. Can handle 20,000 to 25,000 acres in 3 years.

CLAY M. WESCOTT.

MINDEN, NEBR., *June 20, 1962.*

Senator CARL T. CURTIS,
Senate Office Building, Washington, D.C.:

There is now 1,468 contracted acres of sugarbeets in Kearney County. There is a very definite demand for additional beet acres. There is at present about 75,000 acres of land in this county suitable for sugarbeet growing. I am sure that our county could reasonably handle 9,000 additional acres in the next 1 to 3 years.

A. C. HOVE.

HASTINGS, NEBR., *June 19, 1962.*

Hon. CARL T. CURTIS,
Senate Office Building, Washington, D.C.:

Retel: Only 30, repeat 30, acres of beets in Adams County this year. Would be strong demand if processors would allot more acres; 50,000 to 55,000 acres of irrigated land suitable for sugarbeet production in Adams County; 5,000 to 10,000 acres reasonable prospect in beets at end of 3 years. Cordially.

EDWARD B. COSGRIFF,
City National Bank, Hastings, Nebr.

EDISON, NEBR., *June 20, 1962.*

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Furnas County has 617 acres sugarbeets growing. There is a very strong and urgent demand for additional sugarbeet acreage. In Furnas County there are 30,000 acres suitable for growing sugarbeets. The county could handle at least 1,000 new or additional acres of sugarbeets in the next 1 to 3 years, probably more. Required reduction in other crops makes sugarbeets ideal as replacement crop to help farmers sagging income.

MERLIN R. GAREY,
Farmers & Merchants Bank.

McCOOK, NEBR., *June 19, 1962.*

Senator CARL T. CURTIS,
Senate Office Building, Washington, D.C.:

Red Willow County beet acreage this year 650, strong demand by irrigators for beet acreage on 5-year plan but most want a 10-year plan. Under present conditions can develop between 3,000 and 4,000 acres in 1 to 3 years and even more depending on farm irrigator education. About 40,000 acres in this county and a total of 60,000 acres within 15 miles of McCook, the county seat, are

suitable for growing beets, machinery necessary and the education raising and harvesting sugarbeets would indicate the necessity of the 10-year plan which would also assure the sugar processors and certain economy in building a sugar factory here and in other locations in the Republican Valley. Information from county agent, ASC office and Bureau of Reclamation.

HAROLD P. SUTTON.

SUPERIOR, NEBR., *June 20, 1962.*

Senator CARL T. CURTIS,
Senate Office Building, Washington, D.C.:

No sugarbeet acreage in Nuckolls County at this time. No doubt many of our good farmers would be interested in growing sugarbeets if allotments were made available in this county; 6,568 acres are under irrigation from the Harlan County Dam and we have more than 200 wells that provide irrigation water for an estimated 8,000 acres. County agent reports that most of the soil in this area under irrigation is very similar to that in the Holdrege area where sugarbeets are being grown successfully. County agent feels that many of our farmers would be interested in growing beets if given the opportunity.

SUPERIOR CHAMBER OF COMMERCE,
R. VERNON MCBROOM, *Manager.*

RED CLOUD, NEBR., *June 20, 1962.*

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Webster County produces no sugarbeets at the present time, but a great many farmers would like to raise sugarbeets to replace acres now raising crops that are in surplus. Sugarbeets are badly needed by the farmer to enable him to continue in the farming business. Webster County has 10,000 acres under irrigation which is suited to the production of sugarbeets and they would like to start with an acreage of at least 2,000 acres.

A. C. SPLATTSTOESSER, *Superintendent,*
H. E. THOMAS, *Director.*

BEATRICE, NEBR., *June 20, 1962.*

Hon. CARL T. CURTIS,
Senate Office Building,
Washington, D.C.:

Replying to yours of the 19th: (1) Thayer County has no present sugarbeet acreage; (2) there is a definite demand for beet acreage due to necessity of rotation of crops; (3) Thayer County has some 30,000 irrigated acres suitable for beets; (4) feel 1,500 to 3,000 acres would go into beets in next 3 years if acreage available.

J. R. KENNER,
President, Thayer County Bank.

KEARNEY, NEBR., *June 20, 1962.*

Senator CARL CURTIS,
New Senate Office Building,
Washington, D.C.:

Two thousand and seventy-four acres of sugarbeets were planted in Buffalo County, Nebr., in 1962; 2,123 acres have been contracted for in 1962. There is a demand for additional acreage. There are 25,000 acres of land that would be well suited for sugarbeet growing. The county could handle 400 additional acres of sugarbeets in the next 3 years. County has expanded from 1,600 to 2,100 acres in the past 5 years; however, acreage is determined by processor.

LAWRENCE KEUBLER.

GRAND ISLAND, NEBR., *June 20, 1962.*

Hon. CARL T. CURTIS,
U.S. Senator,
Senate Office Building, Washington, D.C.:

Contacted Assistant County Agent Charles Francis, ASCS Manager A. L. Johnson, American Crystal Sugar Co. Manager H. H. Winkhoff. The following data should give information asked: 1,209 acres sugarbeets contracted for 1962. There is a potential demand for 800 additional acres. There are approximately 30,000 acres suitable for beet growing. Sugar factory indicates 1,200 additional acres could be handled within the next 1 to 3 years. This is for Hall County.

DONALD W. HAGGART,
Hall County Soil and Water Conservation District.

LEXINGTON, NEBR., *June 20, 1962.*

Hon. CARL T. CURTIS,
Senate Office Building,
Washington, D.C.:

Approximately 6,000 acres sugarbeets planted in Dawson County in 1962. This acreage could easily be doubled if no threat of acreage controls for at least 2 years; 307,000 acres of irrigated land in county. If forced to comply with proposed feed grain program we will be desperately in need of additional cash crops. Additional sugarbeet acreage will provide some much needed diversification for agriculture in this county. Each new grower would purchase approximately $7,000 worth of additional machinery to get equipped to grow sugarbeets.

HENRY ORHMAN,
President, Nebraska Beet Growers Federation.

BRIDGEPORT, NEBR., *June 20, 1962.*

Hon. CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Morrill County presently has approximately 9,700 acres of sugarbeets growing. We have more than 70,000 acres under irrigation most of which is suitable for growing sugarbeets and within the next few years could easily handle a 20-percent increase in sugarbeet acreage and still follow good crop rotation practices.

ARTHUR ERICKSON,
President, Bridgeport State Bank.

ORD, NEBR., *June 20, 1962.*

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Four hundred fifty acres of sugarbeets are being grown in Valley County this year. There is a demand for expansion and it will increase; 20,000 acres in county are suitable for beets; 500 to 1,000 acres increase in beet acreage could readily be handled in the next 3 years. Your telegram to me was mailed locally causing my reply to be late.

RAYMOND POCOCK.

AINSWORTH, NEBR., *June 20, 1962.*

Hon. CARL CURTIS,
Senate Office Building, Washington, D.C.:

In 1962 800 in sugarbeets. Present time over 6,500 acres suitable for beets. Bureau will make another 10,000 acres suitable in 1965, another 20,000 in 1966 with over 30,000 acres by 1970. County agent expects reasonable increase of 1,000 acres in next 1 to 3 years. First beets grown in 1961. Strong interest in community for beets as additional crop. It will take a little time for growers to learn crop. Rigid allotments would put growers out of business as county has no history. Growers have invested about $10,000 each for beet

equipment. Conservative estimate of over $200,000 invested in county of beets in past 2 years. Above information made available from county agent ASC office and Bureau of Reclamation.

ROY D. RAITT.

LISCO, NEBR., *June 20, 1962.*

HON. CARL T. CURTIS,
Senate Office Building, Washington, D.C.:

One hundred ten acres sugarbeets presently being raised in Garden County. Presently some demand for additional sugar acres but we expect this to increase considerably providing that the farm program goes into effect further limiting the farmers to the number of acres of corn and other such grains that he can grow and that are suitable for this North Platte Valley. One important factor that has discouraged many farmers from raising sugarbeets is the restriction put on them with reference to acquiring and keeping Mexican national beet laborers. However there is much new modern equipment available which is reducing need for manual labor; 5,000 acres of land suitable for sugarbeet growing. Garden County could reasonably handle 1,500 additional acres within the next 1 to 3 years.

THOMAS H. OLSON.

BRULE, NEBR., *June 20, 1962.*

HON. CARL. T. CURTIS,
Senate Office Building,
Washington, D.C.:

Your stand on sugarbeets is appreciated. Keith County 1962 acreage is 2,950. Estimate 300 acres additional for 1963; 10,500 present acres suitable for beet growing can be increased one-third by additional irrigational wells. Ten percent estimated increase in acreage each year for 1963, 1964, and 1965 provided present wheat and corn restrictions continue.

MELVIN ADAMS.

NORTH PLATTE, NEBR., *June 19, 1962.*

HON. CARL. T. CURTIS,
Senate Office Building,
Washington, D.C.:

The offices of our Lincoln County agent and ASC committee have been very cooperative in supplying information relative to sugarbeet production here. For 1962 3.885 acres were signed up for beets in Lincoln County. The 1959 Department of Agriculture Census found 59,000 acres of irrigable cropland in our county. In a national emergency most of this could be converted to sugarbeets. Under present quotas it is believed beet acreage will increase perhaps 1,000 acres a year or 3,000 acres for a 3-year period. However, this is subject to future allotment. Beets are both an intensive and expensive crop demanding specialized machinery and the importation of labor. Great interest amongst the growers can only be accomplished under a longtime acreage allotment and a 10-year period is none too long for this.

We thank you for your continued interest in the problems facing Nebraska agriculture.

J. Y. CASTLE.

ORLEANS, NEBR., *June 20, 1962.*

CARL T. CURTIS,
U.S. Senator, Washington, D.C.:

Harlan County has 15,000 acres suitable for beets and requests for allotments denied. Passed 10 years. No present acreage. One thousand acres could be handled in next 3 years.

THOMAS J. WALDO.

LOUP CITY, NEBR., *June 20, 1962.*

Senator CARL T. CURTIS,
Senate Office Building,
Washington, D.C.:

Re tel no sugarbeets presently being raised. There is a demand. Four thousand acres suitable for sugarbeet growing. Could handle 1,000 acres. New sugarbeets processing facilities need to be expanded to take care of increased acreage.

ELDEN BASS.

RUSHVILLE, NEBR., *June 20, 1962.*

Senator CARL T. CURTIS,
U.S. Senate, Washington, D.C.:

Present Sheridan County sugarbeet acreage 3,000. Could use 500 to 1,000 additional acreage allotment within next 3 years. Total irrigable land in county about 25,000 acres. Demand limited here only by freight rates and distance of processing factories.

PHIL GOTTSCHALK.

CENTRAL CITY, NEBR., *June 19, 1962.*

Senator CARL T. CURTIS,
Washington, D.C.:

We endorse your sound position on Sugar Act. Merrick County has been averaging 250 acres beets but down to 75 acres because of labor problem. Think there is demand for at least 300 to 500 acres now and further increase if we can get a dump. These figures from county agent and ASC. Thank you respectfully.

MARK DITTMAN.

LINCOLN, NEBR., *June 19, 1962.*

Hon. CARL CURTIS,
U.S. Senate,
Washington, D.C.:

The American farmer needs and deserves the opportunity to produce more of our country's sugar needs. The agricultural situation dictates the switch to nonsurplus crops. We respectfully request your support for sugar legislation providing: (1) 100 percent of growth factor be allocated to domestic producers, (2) 60 percent of this growth factor be designated for new growers and new areas.

WARREN H. CURRY, *President.*
WINTON BUCKLEY, *Chairman.*
Agricultural Committee, South Platte United Chamber of Commerce.

SCOTTSBLUFF, NEBR., *June 20, 1962.*

Senator CARL T. CURTIS,
Senate Office Building, Washington, D.C.:

Farmers and landowners in Scotts Bluff County favor sugar legislation as stated in your wire. There is a demand for an increased acreage of sugarbeets in Scotts Bluff County. Sugarbeets grown in Scotts Bluff County, Agriculture Committee office records show the following: Year 1959, acres, 36,582; year 1960, acres, 38,846; year 1961, acres 42,020. Contracted acreage for 1962 44,290 acres. Here are 200,000 acres suitable for sugarbeets in county. We expect 2,000-acre increase each year for the next 3 years. Sources checked for information—County Agricultural Stabilization Conservation Committee, county agent's office and Great Western Sugar Co. records. I favor this legislation. Best regards.

CLEM O. WIMBERLY.

ST. PAUL, MINN., *June 20, 1962.*

Hon. CARL T. CURTIS,
U.S. Senate Office Building,
Washington, D.C.:

No present sugarbeet acreage in Howard County. Definite demand in county. Sugar acreage waiting for water—Farwell unit. Fifty thousand acres suitable for sugarbeet growing in Howard County. Could handle 2,500 to 3,000 acres of sugarbeets in next 3 years if plant capacity at Grand Island is available. Potential development in central Nebraska next 10 to 15 years is 20,000 to 25,000 acres

in sugarbeets, if plant capacity is available. Summary: Acreage for sugarbeets is available; plant capacity is important to insure market for the sugarbeets.

CYRIL P. SCHAUGHNESSY.

FRANKLIN, NEBR., *June 20, 1962.*

CARL T. CURTIS,
U.S. Senator, Senate Office Building,
Washington, D.C.:

Only 23 acres sugarbeets now planted in Franklin County. Twenty-eight thousand acres under irrigation in county, about half under pump and half in Bostwick district in valley. Survey 2 years ago indicated about 50 percent of irrigators interested in beet acreage due to unsatisfactory returns from corn production. Estimate 12,000 to 15,000 acres could be converted to beet production next 3 years this county.

PERRY SLOCUM.

SPALDING, NEBR.

Senator CARL T. CURTIS,
Senate Office Building,
Washington, D.C.:

Estimate in excess of 10,000 acres under pump irrigation in Greeley County, Nebr. Certainly 2,500 acres can be brought into sugarbeet production within next 3 years provided farmers are assured continuity of production to justify investment in machinery. Accessible market for beets and Grand Island, Nebr.

Best regards.

M. B. MCMANAMAN.

STATEMENT OF SENATOR T. CURTIS

In addition to the specific telegrams I have received, many other communications have come in over the past months. I shall not burden the record with all of them. I would state that within the last day or two I have received requests for additional sugarbeet production from:

Glenn J. McEniry, manager, Kearney Chamber of Commerce, Kearney Nebr.
Warren Walz, farmer, Ainsworth, Nebr.
Francis Bejot, farmer, Ainsworth, Nebr.
Fred W. Rose, Ainsworth Star Journal, Ainsworth, Nebr.
Darrel S. Bowers, Ainsworth, Nebr.
Dr. Leo Beattie, Ainsworth, Nebr.
Dr. V. L. Hybl, mayor, city of Ainsworth, Nebr.
William Highes, farm manager, city of Ainsworth, Nebr.
Bruce Kennedy, Chamber of Commerce, Ainsworth, Nebr.
H. N. Jessen, Ainsworth, Nebr.
James Kelly, Lexington, Nebr.

THE CENTRAL NEBRASKA PUBLIC POWER
AND IRRIGATION DISTRICT,
Hastings, Nebr., June 20, 1962.

Re sugarbeet legislation.

HON. HARRY BYRD,
U.S. Senator,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR: The Central Nebraska Public Power & Irrigation District is a nonprofit public agency organized under the laws of the State of Nebraska as a political subdivision of the State to develop its irrigation and hydroelectric potential.

Organized in 1933 it built and for over 20 years has operated a project now furnishing gravity irrigation to 113,000 acres of rich, fertile farmlands in Gosper, Phelps, and Kearney Counties in south central Nebraska. This gravity irrigation recharges and stabilizes the underground water supply for some

177,000 acres of pump irrigated lands in the above three counties and in Adams County.

The principal crop on this 290,000 acres of land is corn with yields of over 100 bushels per acre. Only about 2 percent of this irrigated area is in sugarbeets.

The 5,800 acres of beets grown prove that excellent yields of high sugar content beets can be grown and most farmers in the four county area are anxious to add sugarbeets to their crop production. Many are cattle feeders and beets work in exceedingly well with a feeding program.

Based upon the writers knowledge of the area and his acquaintanceship with its farmers and an informal factfinding survey it is his opinion that if quotas and processing facilities were available the beet acreage in this area could be raised in a few years to approximately 11 percent of the irrigated acres or around 30,000 acres.

The farms in this area are mostly family operated and there is a great need for nonsurplus crops which will help sustain the income which will enable them to continue as family-sized farms.

The business interests of the area are already beginning to feel the effect of large unit farming and of soil bank retired land both of which reduce the number of farm families with their community sustaining buying power.

The farmers and business interests of this area are anxious to add sugarbeets to their crop production and hope that action of this Congress will make this possible.

Sincerely,

STANLEY A. MATZKE,
Assistant to the General Manager.

Senator CURTIS. That is all, Mr. Chairman.

The CHAIRMAN. The next witness is Mr. Harold Purdy, Western Kansas Sugarbeet Council.

Senator CARLSON. Mr. Chairman, I would ask unanimous consent that Mr. Purdy may read his testimony even though he did not comply with the committee request to have copies for everybody; that he came in late, if that is agreeable with the chairman.

The CHAIRMAN. Without objection.

Take a seat, Mr. Purdy, and proceed.

STATEMENT OF HAROLD PURDY, WESTERN KANSAS SUGARBEET COUNCIL

Mr. PURDY. Mr. Chairman, I would like to enter most of our statement from western Kansas into the record to save time, and I will read just a short part of it, if that is permissible.

The CHAIRMAN. All right.

Mr. PURDY. Mr. Chairman and members of the committee, I am Harold Purdy, of Deerfield, Kans., a farmer.

We raise sugarbeets in our area. Our area is an irrigated area that has been developed in the past 4 or 5 years down in the southwestern part of the State of Kansas.

I would like to reemphasize that we made in our previous statement that was entered that if it was important in 1934, as a matter of national security when the continental United States, to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices, should it not be true today, if not more so?

I would hardly call 3,545,000 tons of sugar allotted to mainland cane and sugarbeet areas a substantial part of our sugar requirements.

There has been much discussion about subsidizing sugargrowers here in the United States, when quite possibly the opposite might be the case.

According to the sugar situation released March 16, 1962, by the U.S. Department of Agriculture, on page 23, the average price farmers received for a ton of beets in 1961, including Government payment, was $13.15, yet parity price, or what he should have received, was $16.40.

At no time since 1948 has the farmer of sugarbeets received parity price for a ton of sugarbeets, Government payment included.

It would appear that the farmers of our country have been subsidizing our standard of living, not only in sugar, but in other crops, because this same situation exists in these other crops also.

I represent people who think that 59.8 percent of the basic quota for domestic growers is insufficient. If that is all the American growers are entitled to, then they should be allowed to produce all of the 59.8 percent in the domestic area that can be produced.

Both S. 3290 and H.R. 12154 state that any deficit occurring in the domestic area must be prorated to the Republic of the Philippines and foreign countries named in section 202(c)(3)(A). With deficits very likely to occur, this change in the language of the deficit provision of the act does not provide that 59.8 percent of our basic quota will be produced domestically.

Some have said that the present sugarbeet industry could not fill all this added tonnage anyway. If this is true, it is because the industry has been hindered by restrictions so that very little expansion of processing facilities took place.

Even so, the industry has made a tremendous contribution the last 3 years when called upon to supply their quota, plus deficits from other domestic areas.

For the reason that expansion of processing facilities should take place here on the continental United States, we believe that 50,000 tons of sugar set aside for expansion in the sugarbeet area are insufficient. At least 100,000 tons of sugar should be set aside for this expansion.

Very clear language should be written into the act that this be set aside starting next year, and each year, regardless of whether there are acreage restrictions or not. It should also be clear that areas now producing beets, but shipping long distances to the processors, could expand enough to build a new factory in their area.

I thank you, Mr. Chairman, for this opportunity to be heard before your committee and I again urge your serious consideration of proposals to grant the American farmer a greater share of the American sugar market.

(The statement referred to follows:)

STATEMENT BY HAROLD PURDY WITH RESPECT TO LONG-RANGE SUGAR LEGISLATION

Mr. Chairman and members of the Finance Committee, it is a privilege to again appear before your committee to testify for additional sugar production within the continental United States.

I am Harold Purdy, Deerfield, Kans. We of Southwest Kansas Sugarbeet Council, represent some 2,500 farmers in a large irrigation area in southwestern Kansas, who can and would grow 40,000 to 50,000 acres of sugarbeets, each and every year, if given the opportunity. Part of this area has raised up to 10,000 acres of sugarbeets since 1906.

Since 1954 the acres of land under irrigation have increased from around 200,000 acres to in excess of 850,000 acres now. This land is watered by underground wells that average around 1,400 gallons per minute per well which is large enough to handle the water requirements of a crop such as sugarbeets.

This expansion has come about by American citizens who, having faith in their country and Government, have, with the help of agencies of the Department of Agriculture, invested their own capital and time to develop these resources.

After all this expense and effort by the Department of Agriculture to develop an area of intense irrigation farming, it seems strange to many people at home that with the opportunity at hand to produce more sugarbeets for sugar here in the continental United States, that we are not permitted to do so. Instead we must continue to grow crops that are supposedly in surplus and get paid to take land out of production when we could be growing a nonsurplus crop of sugar, which is vital to our national security, on this land taken out of production.

When the sugar law was enacted in 1934, it was intended to do three things:

(1) Make possible as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff;

(2) To assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and

(3) Permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

Surely if it was true in 1934 as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices, should it not be true today, if not more so? Yet it appears to us that most emphasis is being placed on foreign trade with nations who cannot be depended upon to supply us with a stable and adequate supply of sugar for the years ahead.

Is the 3,545,000 tons of sugar that is produced in the continental United States a substantial part of our sugar needs in line with the national security objective of the Sugar Act? We think it is not enough and that more sugar should be produced here.

In the last war we called on Cuba to supply about 1 million tons of extra sugar above their quota to supply our emergency needs. What foreign countries can we depend upon to supply our needs in the next emergency should one ever occur? We need to build a source of supply of sugar here in the United States that we can absolutely depend upon.

Also, during the last war, our country called on the sugarbeet industry for additional production. With the present factories producing at capacity, how can we count on them to supply any large increase in case the need should arise? Some provision should be made now so that the industry can prepare extra processing facilities should the industry be called upon for increased production. Can we wait until after the emergency exists to start construction of plants?

According to Commodity and Facility Summary for Emergency records (July 18, 1961) in regard to sugar, 75 percent of the cane-refining capacity is at locations highly vulnerable to nuclear attack. They are in or near Boston, New York, Philadelphia, Baltimore, San Francisco, and New Orleans. We are not referring to this with a pessimistic view any more than building fallout shelters is a pessimistic trend. It is just a fact that exists.

We believe that these are all facts that should be considered as you are rewriting the Sugar Act. Although more should be done, a small step in the direction we are suggesting would be to give 100 percent of the growth factor to mainland cane and sugarbeet growers, divided 25 percent to mainland cane and 75 percent to beets, with a set-aside each year for new beet growers of enough acres to produce 85,000 tons out of this growth factor.

Mr. Chairman, this is what we recommend.

The CHAIRMAN. Thank you very much, Mr. Purdy.

Any questions?

Senator CARLSON. Mr. Purdy, how many years have you folks in western Kansas been growing sugarbeets?

Mr. PURDY. There has been beets grown in western Kansas since 1906.

Senator CARLSON. In other words, we have a historic base for growing sugarbeets in an area that can and does produce good quality beets?

Mr. PURDY. Yes, sir.

Senator CARLSON. How many acres of irrigated land do we have in that southwestern or western part of the State?

Mr. PURDY. The area I represent has about, a little over, 850,000 acres of ground under irrigation.

Senator CARLSON. And most of this irrigated land has soil that would be available for sugarbeets?

Mr. PURDY. Yes, it would.

Senator CARLSON. At the present time the beets grown in Kansas are processed where?

Mr. PURDY. They are processed in three different Colorado factories.

Senator CARLSON. What are the towns?

Mr. PURDY. One of them is at Rocky Ford, one of them is at Sugar City, and the other one is at Brighton.

Senator CARLSON. As far as you know the beets produced in Kansas, that is the quantity of beets produced in Kansas which are processed in the Colorado mills could be greatly increased if they had the capacity to take them?

Mr. PURDY. Oh, yes. There has been a great demand for sugarbeets in our area alone.

Senator CARLSON. Do you know how many thousand acres we have in beets in that western part of Kansas?

Mr. PURDY. The area I represent has 10,000 acres planted this year but there is a northern area up there that has about half that much planted, in the northern part of the State that I do not represent.

Senator CARLSON. In your opinion, could not the acreage be expanded without any difficulty to furnish, and completely furnish or supply a refinery?

Mr. PURDY. We took a survey just this spring, and we had requests for this excess of 40,000 acres of sugarbeets in our southwest 19 counties alone.

Senator CARLSON. There is no question then but what you could furnish beets providing that there was some certainty of continued production?

Mr. PURDY. I believe there is no question, because half of the farmers didn't even take time to send back the postcard.

Senator CARLSON. I appreciate very much your statement, because the Secretary yesterday, Secretary Murphy, stated that, in the future allocations and locations of refineries, past production of beets would be one of the considerations of the criteria that would determine when and if any new plants would be established. Mr. Purdy, I appreciate your statement very much.

Mr. Chairman, with your permission I also offer for the record a statement by Mr. Harry L. Lightcap of Hugoton, Kansas.

The CHAIRMAN. It will be incorporated in the record of the hearings.

(The statement of Mr. Lightcap follows:)

STATEMENT BY HARRY L. LIGHTCAP WITH RESPECT TO LONG-RANGE SUGAR LEGISLATION

Mr. Chairman and members of the Finance Committee, I am Harry L. Lightcap, representing new growers and new growing areas in western Kansas.

I appreciate the opportunity to present my views on amendments to the Sugar Act which expires June 30, 1962, and with particular reference to aiding domestic producers of sugarcane and sugarbeets and with emphasis on new growers and new areas.

Now the question our people in Kansas want to ask is: Where are we going to get our sugar supplies during the next war, or any great national emergency. During the last war Cuba was supplying us with 3 million tons, which was their quota, we called on them for another million tons, and it was furnished. Cuba being only 90 miles from our shore, yet a sugar rationing was put on immediately, and you each remember the shortage. But now—no Cuba for these supplies. Our domestic production of 4,400,000 tons, of which 3,500,000 would be produced on continental United States, would be the extent of our sugar, and with 75 percent of our sugar refineries being vulnerable to attacks, this amount could be cut down considerably.

At this time I wish to refer to an address by Lawrence Myers, Director of the Sugar Division, Agriculture Stabilization and Conservation Service, U.S. Department of Agriculture, before the Sugar Club, New York City, Thursday, February 15, 1962, which is printed in Sugar Reports No. 118, dated February 1962 by U.S. Department of Agriculture, Washington, D.C.

Page 9: "In the postwar period under the Sugar Act 1948, emphasis was placed upon the dependability of Cuban supplies. Pre-Castro Cuba had stood beside the United States and had supplied us sugar at reasonable prices during the two world wars and was destined to do so during the period of fighting in Korea and during the Hungarian-Suez crisis. It was recognized, therefore, that the quota premium at that time not only constituted foreign aid but also provided supply insurance. Cuba, producing 6 million tons of sugar annually and located 90 miles off our shore, had the ability and willingness necessary to guarantee supplies for the American market. No other country has that ability. Alternative suppliers have small reserves, are located far away or both."

Page 10: "Our sugar program has worked. Domestic producers have enjoyed the benefits of price stability and domestic consumers have enjoyed adequate and stable supplies. Not surprisingly, therefore, it is asked 'why rock the boat'? The answer is Mr. Fidel Castro. He and his fellow Communists not merely rocked the boat, they have sunk it. Almost immediately after Castro came to power in January 1959, Cuba started to shift its sugar economy into Communist orbit. This country reacted slowly. However, it finally recognized that Cuba was no longer a dependable source of supply for sugar and in July 1960 provided that supplies should come from other sources. The United States must readjust its thinking on the entire sugar program to the realities of today."

Page 11: "As sugar people, you members of the Sugar Club have only incidental interests in the cost and foreign relations aspects of the sugar program. Therefore, let us examine the matter now from the more narrow standpoint of its effects on our sugar supplies and sugar trade. While the United States obtained 3 million tons of sugar annually from Cuba and could obtain practically unlimited additional quantities when needed, it was not vital whether some of our other suppliers marketed their sugar early or late, or whether they filled their quotas in whole or in part. With Cuba in the Communists' hands, this country has lost its ever-dependable sugar bowl and the governor on its sugar market. We must now go to smaller suppliers frequently in faraway places. Sugar could be shipped from Cuba to New Orleans over a weekend or to north of Hatteras refiners in 4 to 6 days. An important part of our substitute supplies last year were on the water 4 to 6 weeks. In fact, some of the sugar reallocated on June 1 did not start to arrive until October."

Page 12: "We must now attempt to anticipate our supply requirements months in advance. However, leadtime is not all that we need. Who among you forecast the outbreak of fighting in Korea or the Hungarian revolt 4 months in advance? Each brought on a wave of sugar buying. Who is going to tell us the exact level of demand 4 months from now and 4 months from tomorrow and from tomorrow's tomorrow. Perhaps, as has been suggested, you refiners

will be prepared to build huge warehouses and carry reserve supplies to meet unforeseen upsurges in demand. Either we must carry huge stocks of sugar in this country to meet such requirements or we must have flexibility in obtaining supplies from foreign countries. The third choice is to endanger our supplies. Today our important supplies are divided into a number of watertight compartments. This is necessary if the present quota system is to be effective in supporting prices but it involves risk to long and thin supply lines."

Page 14: "In the past year we have had a large measure of good luck and most of our foreign suppliers have shown the desire to cooperate. Even so, receipts tended to be inadequate in the early summer and threatened to become excessive at the end of the year. Worse yet, the market was adversely affected for a number of weeks by assurances of sugar that did not exist and that could not be supplied."

I think that experience of last summer is an excellent example of what the sugar industry must anticipate in the future if the sugar program remains unchanged. Inevitably, some countries will be excessively optimistic about their abilities to supply. Inevitably, sugar from some distant sources will fail to arrive when it is most needed. The authority is not in our hands to control the monsoons or storms at sea, to prevent port congestion or labor difficulties, or to determine foreign decontrol actions or prevent internal strife in countries abroad. Either we must allow for shortfalls and poorly timed arrivals by higher quota figures, which may depress prices, or we must face the danger of shortages. Twice during the past month foreign developments have placed our sugar supplies in jeopardy. The more dramatic time was when the market feared that the short-lived coup d'etat in the Dominican Republic might cause us to lose Dominican supplies. Equally important, however, was the slow selling of Philippine sugar that preceded devaluation in that country. Such difficulties are inevitable when we attempt to give to each supplier and potential supplier throughout the world a fragment of a quota designed to meter sugar into the United States from the mountainous supplies of Cuba.

Now gentlemen you can see the situation we are in for the future. Mr. Lawrence Myers knows the truth of the Sugar Act, and from these paragraphs I have quoted to you from his speech, he is painting a very dark picture. We are at peace in the world at present and the shipping lanes are all open. In case of another war a few submarines would block this shipping, and not one shipload of sugar would arrive from foreign soil.

As our legislative bodies have the destiny of our country in their hands, let them not overlook the fact that our own economy and security measures should come first by all means.

We reluctantly agree with the bill H.R. 12154 except there is not sugar enough allowed for new areas and growers.

Mr. Chairman, it is necessary for the Congress to assume the responsibility of writing a sound long-term Sugar Act. One that would provide a substantial growth of sugarbeets in the State of Kansas, along with other States and areas, that are desiring to provide sugar. And this can only be done by allowing 100 percent of the growth factor instead of only 63 percent to domestic growers. That is what we endorse at this time to give new growing areas 85,000 tons of sugar each year.

I thank you for allowing me to appear before your committee.

The CHAIRMAN. The next witness is Mr. Charles H. Schenk, Sr., of the Wabash Valley Sugar Beet Growers Association.

Mr. Schenk, will you come forward and take a seat, sir.

STATEMENT OF CHARLES H. SCHENK, SR., PRESIDENT, WABASH VALLEY BEET DEVELOPING ASSOCIATION

Mr. SCHENK. Mr. Chairman, I appreciate the opportunity to appear before you and your committee to express the view of the farmers of our organization.

I am Charles H. Schenk, a farmer of Vincennes, Ind., and I have farmed for many years and at the present time am president of the Wabash Valley Beet Developing Association.

This association represents an area of southwestern Indiana and southeastern Illinois comprising 15 counties with a membership of several thousand members. This area has an unlimited amount of ground water for irrigation, and natural resource has never been used adequately. (Any business to operate efficiently should take advantage of all natural resources available.) Sugarbeets will make efficient use of these resources.

We farmers believe that a larger percentage of the U.S. sugar supply should be produced by domestic beet and mainland cane growers and that provision should be made to allow part of this increase to come from new sugar-producing areas.

A strong agriculture is basic to the continued success of our American economy and it is in the public interest for consumers to have a safe, dependable supply of sugar.

The broad purpose of sugar quota laws has generally been regarded as being to provide U.S. consumers with a safe and adequate supply of sugar at prices which would both maintain the domestic sugar industry and be fair and reasonable to consumers. An additional purpose of sugar quota legislation has been to promote the export trade of the United States.[1]

Our sugar program has worked. Domestic producers have enjoyed the benefits of price stability and domestic consumers have enjoyed adequate and stable supplies. Not surprisingly, therefore, it is asked "Why rock the boat?"

The answer is Mr. Fidel Castro. He and his fellow Communists not merely rocked the boat, they sank it.

Almost immediately after Castro came into power in January 1959, Cuba started to shift its sugar economy into the Communist orbit. This country reacted slowly. However, it finally recognized that Cuba was no longer a dependable source of supply for sugar and in July 1960, provided that supplies should come from other sources. The United States must readjust its thinking on the entire sugar program to the realities of today.[2]

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID AGRICULTURE

Increased domestic sugar production would aid parts of American agriculture. Our agriculture is the envy of much of the world. It is basic to our economy and has helped make us the best fed and clothed Nation in the history of mankind.

It must remain strong if we are to continue to progress. Largely because of the productivity of our agriculture, we free men from the land, to make the conveniences and luxuries we all enjoy. We now have only 9 percent of our population on farms as contrasted to 45–50 percent in Russia.

Our farmers have increased productivity marvelously in the last two decades. Since World War II, farm output has gone up about one-fourth with no increase in total inputs.

Also, food processing industries have increased their output per man-hour by 40 percent.

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[1] "Special Study on Sugar," committee print, 87th Cong., 1st sess., Feb. 14, 1961, p. 14.
[2] Address by Lawrence Myers, Director, Sugar Division, U.S. Department of Agriculture, before the Sugar Club. Sugar Reports, No. 118, February 1962, p. 10.

Thus, the American economy grows and the American consumer gains. No other consumer in the world gets such a break.

American families buy more food, of better quality and wider variety, than any other families in the world, and do it at less cost in hours of work than any other families in the world.

It is important that we keep this marvelous production plant strong.

At the present time we have surplus production in agriculture, and agriculture is depressed.

Grain prices per bushel—furnished by Igleheart Bros. Elevator of Evansville, Ind., which is one of our largest and oldest companies and they are very dependable and we selected the date and used the same date in all 10 years and this is what we found.

In a 10-year period we had a loss in price of wheat of 50 cents a bushel which is 22-percent reduction.

In corn we had a loss of 58 cents a bushel which was 35-percent reduction.

In soybeans we had a 67-cent loss which is 25-percent reduction.

	Wheat	Yellow corn	Soybeans
Nov. 1:			
1951	$2.33	$1.53	$2.69
1952	2.12	1.43	2.62
1953	1.75	1.28	2.53
1954	2.00	1.25	2.68
1955	1.85	.97	2.05
1956	2.10	1.12	2.16
1957	1.96	1.01	2.02
1958	1.68	.95	1.86
1959	1.78	.97	1.99
1960	1.79	.89	1.96
1961	1.83	.95	2.02

Resources will have to be moved out of agriculture if we don't find uses for them. This will be costly, in terms of uprooting families, disrupting local communities, and retraining workers. To use some of these surplus resources in producing sugar should help keep agriculture strong while protecting our sugar supply. It would also help provide employment in rural areas where much surplus labor and low income exists and reduce costs of our aid to agriculture.

Increased farm and service labor would be employed. The number of local service jobs of all kinds is closely associated with the number of people employed in manufacturing.

In a rural town the ratio of manufacturing to service employment is about 1 to 1.

With this ratio in mind, the employment growth of rural areas because of an expanded sugar industry will very probably be increased by between one and two service jobs for every manufacturing employment opportunity created.

Our Government is making sizable payments to keep agriculture strong. According to J. C. Bottum, noted Purdue agricultural economist,

The United States is spending between $4 to $5 billion anually in order to balance our agricultural production and markets, through programs ot increase outlets and programs to adjust supply.

To use some of our surplus agricultural resources in producing sugar should help balance our maladjustment of resources in agriculture while protecting our sugar supply and keeping agriculture strong.

Research has been largely responsible for our outstanding agricultural productivity. If major research efforts were directed to the sugar industry it is probable, based upon experience with broilers and other agricultural products, that the United States could become one of the low-cost sugar producers of the world while maintaining the high standard of living of American workers.

Technological advance has already been rapid for domestic sugar crops. Man-hours of labor required to produce a ton of sugar have been sharply reduced in the past decade and mechanization has been rapid. Yields per acre have risen a fourth or more since the end of World War II in mainland sugarbeet and sugarcane areas and in Hawaii.[3]

It might be well to use more of our fine research facilities to improve sugar production instead of crops that are in surplus.

We must keep our research scientists working to take care of our expanding population and keep us ahead in the food and fiber production.

NEW AREAS CAN PRODUCE SUGAR EFFICIENTLY

Some areas have shown high ability to produce. Tests conducted by the University of Arizona have shown yields as high as 37.8 tons of beets per acre and sugar yield of 5.6 tons of sugar per acre.[4]

The 1960 U.S. average yield under irrigation was 19 tons of beets per acre.[5]

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID INDUSTRY

The administration is urging industrial expansion and increased employment. Expansion within the sugar industry would help meet this goal. It would help provide work in some rural low-income areas. Increased employment resulting from a new $12 million to $18 million sugar plant in an area, use of local land, equipment, and supplies would all be beneficial.

ADDITIONAL U.S. SUGAR PRODUCTION WOULD AID CONSUMERS

Cuba has been a major supplier of sugar to the United States from the beginning of our modern sugar economy.

In recent years, prior to mid-1960, our imports of sugar from Cuba amounted to over 3 million tons annually, about one-third of total consumption in the United States and some two-thirds of all sugar imported from foreign areas. The Cuban sugar trade with the United States has now been redirected toward the Communist bloc.[6]

The United States sold sizable quantity of wheat and lard to Cuba and imported sugar from them so they could buy our wheat and lard.

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[3] "Special Study on Sugar," committee print, 87th Cong., 1st sess., Feb. 14, 1961, p. 3.
[4] "Results of Beet Test," Safford Experiment Station, University of Arizona, Tucson, Ariz., 1962.
[5] Address by Tom O. Murphy, Deputy Director, Sugar Division, U.S. Department of Agriculture, at Kansas City sugarbeet seminar, "Sugar Reports," No. 118, February 1962, p. 19.
[6] "Special Study on Sugar," committee print, 87th Cong., 1st sess., Feb. 14, 1961, p. 1.

For years, Cuba was the largest market in Latin America for U.S. agricultural products, notably rice, lard, wheat, and wheat flour. This market has been lost to the United States and it appears desirable to offset this lost market by producing more sugar domestically.

An increase in domestic production would help provide a dependable domestic supply of sugar in the event of an international emergency, thus aiding consumers and following the purpose of the sugar laws.

SUMMARY

We growers of agricultural commodities appreciate the help given to the American farmer by the USDA and the Congress of the United States.

Many billions of dollars have been appropriated and research and educational programs have been supported. Land has been taken out of production with the aid of Government payments. However, surplus products still depress prices. The farmer has a low income compared to incomes of others.

Increased production of sugar within the United States would strengthen the economy of American farmers in new growing areas. It would help balance our maladjustment of resources in agriculture, help keep agriculture strong, and protect our sugar supply.

We believe that H.R. 12154 does not give adequate recognition to new sugar-producing areas.

We strongly recommend that the sugar bill provide that all of the annual growth in sugar requirements, about 9,700,000 tons (the "growth factor"), be retained for the domestic beet and mainland cane growers, to be divided 75 percent beets and 25 percent cane, and that new growing areas be granted annually 85,000 tons or such acreage as would yield 85,000 tons of sugar.

This would provide for reasonable growth in established sugar-producing areas and at the same time provide sufficient tonnage for at least two new growing areas annually.

In addition to Indiana and Illinois, the States of Maine, New York, Texas, Missouri, Arizona, New Mexico, Oklahoma, and others all without processing mills, as well as Kansas, Nebraska, Minnesota, California, Michigan, and Washington, all desiring additional processing mills, and Florida and Louisiana desiring quotas for newly constructed refineries are all insisting upon the right to produce sugar.

You should know that it's not just the farmers in these States, but the businessmen, the bankers, real estate, insurance, grocery men, and professional men are serious in the same manner.

Research has shown that many new areas can produce sugar profitably at present price levels. We urge you to give this opportunity to the American farmer.

I thank you.

The CHAIRMAN. Thank you very much.

Senator CARLSON. Mr. Schenk, I believe you are recommending that the sugar bill provide that all the annual growth in sugar requirements be retained for the domestic beet and mainland canegrowers, is that correct?

Mr. SCHENK. That is right.

Senator CARLSON. And your reasons for that?

Mr. SCHENK. Well, there are several reasons: The first would be that we feel as though the American farmer might be able to have a better title to the growth factors since it is something that is accumuated within the increase in population within the United Sates. That is one.

Second, we think the American farmer has a greater vested interest in greater domestic production due to the fact he is retiring a certain amount of his crop acres to comply with the Federal farm program.

Third, would be this: That, as you know, in the last few years we have acquired better mechanized equipment to grow sugarbeets and sugarcane, and now we can eliminate most of the hand labor we used to have, which makes this crop more suitable to the American farmer.

I think that is about the three reasons I would suggest.

Senator CARLSON. Thank you very much.

Senator BENNETT. May I ask a question?

The CHAIRMAN. Senator Bennett.

Senator BENNETT. The other four witnesses who have been farmers have told us about the actual number of acres available in their area which are already irrigated. You refer to the existence of ground water which could be used for irrigation. Are there many irrigated acres in your area?

Mr. SCHENK. Yes. They have tried to irrigate corn and alfalfa. We have, oh, I would say it is, probably several hundred ground wells that had been pumping water but it has got to the point that corn is so cheap you just can't afford to irrigate corn any more and that is one of the reasons.

I would like to explain a little more about this ground water. This is unusual and if we are going to operate a farm efficiently we must use this. Now we are using it on potatoes. Just think of this, this entire glacier formation of the Wabash Valley, on my farm it is only 6 feet to ground water and on most farms, I would say the entire valley, would be 20 feet to ground water. Our geologists say there are unlimited amounts. If we are going to farm our land efficiently we are going to have to use all these resources.

Now, gentlemen, we are growing potatoes, we are growing bunch beans, we are growing bunch beans on my farm today because of the benefit of these resources, and alfalfa, but most of the crops that we are growing are not profitable.

As you notice that table of prices I gave you just doesn't make it profitable to irrigate it, so we have to find new crops which would be profitable to irrigate.

Senator CURTIS. Are you raising beets now?

Mr. SCHENK. Through the universities—Illinois University and Purdue University are carrying on experimental work in about 15 counties extensively and in many other counties in limited amounts.

Senator CURTIS. But there is no actual production?

Mr. SCHENK. No. We hope that through the help of your committee, the Members of the Senate and Congress will provide a provision within the Sugar Act that when we do find, and we have every indication to believe we can, I will mention that in a minute, that there will be a provision, when we are ready that we could get an allotment.

I just returned from Ohio in comparing the beets in northwestern Ohio with the plots we have in Indiana, and they compare very favorably.

I just had a friend return from Denver in looking over the beets in the State of Colorado, and that was his purpose out there and he came back and reported to me that the beets in Colorado were just about the same as those in Indiana.

So we have had men from sugar companies investigating our area and they talk very favorably about it but as you know we are not ready to go into production until we carry on more experimental work.

But we do have great hopes.

Senator BENNETT. Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Schenk.

Mr. SCHENK. Thank you.

The CHAIRMAN. The next witness is Mr. Earl R. Boyce, of Palm Beach, Fla. Have a seat Mr. Boyce.

STATEMENT OF EARL BOYCE, OF PALM BEACH, FLA.

Mr. BOYCE. My name is Earl R. Boyce. I am an attorney from Palm Beach, Fla., and I am appearing on behalf of the following canegrowers in Florida: Dr. A. F. Saunders, H. T. Seely, J. J. Herring, E. J. Miller, Arrow Sugar Corp., Warren North, R. N. Bass, Marion Widden, Dr. Mendoza, A. L. Lee, and A. W. Waldron.

The acreage of new cane planted by the above growers before April 15, 1962, varies from 12.60 acres as the smaller ownership, to 634.75 as the larger ownership. These small growers are all located in the area south of Lake Okeechobee, Fla.

There are many small canegrowers in the South having new cane acreage planted before April 15, 1962, when there were in effect no restrictions on planting. This was under notice published in the Federal Register by the Secretary of Agriculture in 1962. The best information available from the Department of Agriculture is that such new canegrowers may be able to process 80 percent of such production and at best only 90 percent in 1963 and 1964.

Nowhere in the transcript of the hearings before the House Agriculture Committee, or in the committee report (No. 1829) has the Department of Agriculture set out the precise formula under which allocations to new acreage will be made under the act. It is important to all interested parties that the Department of Agriculture make known specifically the formula on which such allocations will be made so that a new grower may be able to arrive at a fairly accurate idea as to how the new acreage will be treated. Unless the allotments or quotas will allow the small new cane producers to process and market their entire production, they cannot possibly continue in business. It appears inconsistent and unfair under the proposed legislation to leave the possibility that small domestic producers may be substantially cut back or forced out of business completely.

The record is not clear, so far, as to precisely how small new growers, whether of beet or cane, will be treated under allocations by the Department of Agriculture.

It should be made clear as to the exact formula which the Department of Agriculture would use or follow in arriving at an allocation to a new grower of cane. We do not know how the Department would apply allocations or quotas to a small new cane grower.

It would be cleared up if the Department would apply its formula for arriving at an allocation for these small new growers to a small grower of 500 new acres of sugarcane and show how such allocation would be made under the bill adopted by the House. Would this formula be followed in each such case of these small new cane growers?

We need some assurance from those who would administer this act that a new grower will not be cut back simply because he is a new grower.

I understand some persons are proposing that the Department should cut back new growers in a larger percentage than old growers.

We request the committee to obtain assurance for these small new growers that acreage of new and old domestic growers will be given equal consideration in allotments and cutbacks so that these small new growers will not be discriminated against.

We submit that the problem of these new small cane growers can also be solved by setting aside a larger amount of tonnage for allocation of new mainland growers. This small amount of additional tonnage can be obtained from a small portion of the amount which was previously allocated to Cuba.

The CHAIRMAN. Thank you very much, Mr. Boyce.

The next witness is Mr. Joseph M. Creed of the Industrial Sugar Users Group.

Take a seat, sir.

STATEMENT OF JOSEPH M. CREED, INDUSTRIAL SUGAR USERS GROUP

Mr. CREED. Mr. Chairman, and members of the committee, I think that I can say before I commence my statement that I am presenting, after hearing the other witnesses, definitely a minority point of view.

I am counsel for the American Bakers Association and the Biscuit and Cracker Manufacturers' Association, both of which organizations are members of the Industrial Sugar Users Group whose views I am presenting here today.

The Industrial Users subscribing to this statement are:

American Bakers Association.
American Bottlers of Carbonated Beverages.
Associated Retail Bakers of America.
Association of Cocoa and Chocolate Manufacturers of the United States.
Biscuit and Cracker Manufacturers' Association.
Flavoring Extract Manufacturers Association of the United States.
International Association of Ice Cream Manufacturers.
National Bakers' Suppliers Association.
National Manufacturers of Beverage Flavors; and
National Preservers' Association, Inc.

When the hearings on sugar legislation were held before the Agriculture Committee of the House, we supported H.R. 11725, introduced by Congressman Thomas G. Abernethy.

Inasmuch as the Agriculture Committee and the House have acted upon a bill, and the time available to this committee is short to consider all the aspects of the Abernethy bill, I shall discuss only one provision of that bill as a proposed amendment to H.R. 12154, as passed by the House.

I ask, however, with the consent of the committee, that my full statement presented to the House Agriculture Committee be incorporated as a part of the record and proceedings of this hearing.

The CHAIRMAN. Without objection it will be inserted following your oral presentation.

Mr. CREED. The amendment which we are urging here today is simple in its context, but we consider it to be of major importance for the benefit of industrial users and all other consumers of sugar in the United States.

Some 70 percent of all the sugar used by consumers is received through products manufactured by the various industrial sugar users.

Only 30 percent of the sugar which the ultimate consumer uses is bought by him in the form of sugar.

It is important, therefore, that there be made available to industrial users, and through them to the consumers of the United States, an adequate supply of sugar at reasonable prices, at all times and under all conditions.

H.R. 12154 is extremely generous in its provisions for domestic sugar producers and processors. It will increase their share of the domestic market from the 55 percent provided in the 1956 amendments to 63 percent of all our sugar requirements in excess of 9,700,000 tons.

This is an increase of over 20 percent in the percentage of the market which the domestic sugar industry will take over in the years ahead, as compared with their share of the market when the Sugar Act was passed in 1948—an increase wholly unjustified, in our opinion, since it can be provided only under heavy subsidies.

It is pertinent to point out that the chairman of the House Agriculture Committee in the debate in the House on this bill on Monday, recalled the admonition of President Roosevelt when he signed the first sugar bill, that this production in the domestic area should not be increased because, as Mr. Cooley correctly observed:

> It is uneconomical to produce it domestically. It has to be on an artificial basis.

As American manufacturers, even as the domestic sugar processing industry who are also manufacturers, we have no objection to their growth.

However, it must be borne in mind that the domestic sugar processing industry grows at the expense of the taxpayer and sugar consumer, because of the heavy subsidies paid to the industry year in and year out.

The users of sugar receive no subsidies of any kind, nor are they seeking any; but we believe this committee in acting upon this legislation should not forget for one moment that to the extent it permits

the expansion of the sugar industry, to that extent it is imposing a further tax burden upon the consumers in this country.

For that reason, we believe the domestic production should be kept at its present level of 55 percent of the market.

The argument is frequently heard from the proponents of this ever-increasing expansion of the domestic sugar industry that these Sugar Act payments cost nothing because the total taxes taken in over the years have exceeded the total payments—indeed the Treasury has benefited by the surplus, so that it has cost nothing for these payments.

The sophistry of such an argument should be apparent.

Obviously, the taxes come from somewhere and, necessarily it must be the consumer.

Additionally, it is frequently stated that the success of this program should be measured by the painlessness of it. The housewife is unaware, it is said, that such a program exists, because she has never felt it.

This argument can be likened to that of the dentist who extracts a tooth painlessly. True, the patient does not feel the pain of the extraction but the incontrovertible fact is that the tooth has permanently left the patient's mouth. In this case—a sweet tooth.

With its own peculiar form of social security, the sugar industry is nurtured by the Government from the moment of conception to the moment of consumption of its product by the consumer.

The industry is told by the Government how much it can plant; the wages to be paid; the conditions under which it will operate; how much sugar it can produce and sell; and through the manipulation of quotas, the return on its investment is guaranteed. It is as completely insulated from the vagaries of the marketplace as can be.

With all these protective features for the sugar industry written into the act, it is somewhat difficult to provide for the protection of consumers, although the act states this to be one of its primary purposes.

Indeed, the ranking minority member of the Agriculture Committee, Mr. Hoeven, advised his colleagues of the House during the debate on Monday as follows:

> Let us not forget the main objective of this sugar legislation is to provide an adequate supply of sugar at all times to our growing population at reasonable prices to the consumers.

It is essential, it seems to us, that if the Congress desires to continue to enlarge this bonanza for the domestic producers, that it provide a minimal amount of insurance for the consumer, so he will be assured of an adequate supply of sugar at reasonable prices under all conditions. To accomplish this, we propose that the following amendment be incorporated into the bill passed by the House.

On line 17 of page 2, strike the period and insert the following:

> : *Provided, however,* That the total amount of sugar needed to meet requirements of consumers in the continental United States shall not be less than the amount required after allowances for normal carryover, to give consumers of the continental United States a per capita consumption of 100 pounds.

As can be seen, this provides for only 100 pounds as a minimum level, whereas the House report on page 21 points out that in no year since the passage of the Sugar Act of 1948 has sugar distribution averaged less than 101 pounds per capita; and for the last 5 years, it has averaged 103.6 pounds per capita.

It may be asked why it is necessary to include such a provision if the annual average has been in excess of 100 pounds.

The answer is, Mr. Chairman, that during some of these years the Secretary has deliberately set the quota below the 100-pound mark to increase sugar prices.

This avoids the congressional intent of protecting the consumer.

Secondly, this provision will specifically indicate to the Secretary that the Congress wants this amount of sugar available to consumers at all times during the year.

We submit that this minimum level of 100 pounds will not interfere with the administration of the Sugar Act.

In fact, the Director of the Sugar Branch, Mr. Lawrence Myers, has indicated that the Department could live with such a provision.

We strongly urge, therefore, that this committee, to protect the consumers of the United States, as well as the growers and sugar processors who will benefit so handsomely under the terms of H.R. 12154, include this amendment in this bill which it reports to the Senate.

Mr. Chairman, we thank you and the members of the committee for giving us this opportunity to present our views on this important legislation.

The CHAIRMAN. Thank you very much, sir.

Senator CURTIS. Mr. Chairman, I have a few questions.

The CHAIRMAN. The Chair recognizes Senator Curtis.

Senator CURTIS. You represent the American Bakers Association?

Mr. CREED. Yes, Senator.

Senator CURTIS. They have members in Nebraska?

Mr. CREED. Yes, Senator.

Senator CURTIS. Who are they?

Mr. CREED. We have Peter Pan Bakeries in Omaha; we have Continental Baking Co. I don't have a list of the complete membership.

Senator CURTIS. Do they concur in your statement here, in your attack upon the domestic sugar industry?

Mr. CREED. It is my understanding that our membership entirely supports our views with respect to sugar legislation.

Senator CURTIS. Do they support your position? What you have said about the domestic sugar industry, these Nebraska concerns?

Mr. CREED. I have no reason to believe to the contrary, Senator.

Senator CURTIS. Do you have any members of the American Bottlers of Carbonated Beverages in my State?

Mr. CREED. I am sure there are several.

Senator CURTIS. Would you name them?

Mr. CREED. I do not know their names but there is a representative here from the American Bottlers Association who can if you wish.

Senator CURTIS. I wish you would supply them for the record, the Nebraska members.

Mr. CREED. I would be glad to do that, Senator.

Senator CURTIS. How about the Associated Retail Bakers of America, do they have any members in my State?

Mr. CREED. Yes, Senator, they do.

Senator CURTIS. How about the Association of Cocoa and Chocolate Manufacturers of the United States, do they have members there?

Mr. CREED. I don't know.

Senator CURTIS. The Biscuit and Cracker Manufacturers Association?

Mr. CREED. Yes, Senator.

Senator CURTIS. And these other groups, I wish you would supply the names of the businesses in the State of Nebraska for whom you speak. I have no feeling whatever that any of them would concur in your observations about the domestic sugar industry.

(The information follows:)

NEBRASKA SOFT DRINK BOTTLERS HAVING MEMBERSHIP IN THE AMERICAN BOTTLERS OF CARBONATED BEVERAGES

NEBRASKA

Alliance:
Pepsi-Cola Bottling Co., 102–10 Cheyenne Avenue
Seven-Up Bottling Co. of Alliance, Inc., 102 Bighorn Avenue
Beatrice:
Coca-Cola Bottling Co. of Beatrice, Inc., 720 Irving Street
Dr. Pepper Bottling Co., 306 West Court Street
Columbus: Coca-Cola Bottling Co. of Columbus, Nebr., 1069 17th Avenue
Falls City: Coca-Cola Bottling Co. of Falls City, 705 Morton Street
Fremont: Fremont Coca-Cola Bottling Co., 701 Dodge Street
Grand Island:
Grand Island Bottling Co., 645 South Locust Street
Pepsi-Cola Bottling Co., North Highway 281, Route 1 (Box 169)
Squirt Bottling Co., Inc., 1203 West North Front Street
Hastings: Pepsi-Cola Bottling Co., 315 West South Street
Holdrege: Coca-Cola Bottling Co., 223 West Avenue
Humboldt: Pepsi-Cola Bottling Co., Post Office Box 66
Kearney: Midway Coca-Cola Bottling Co., 119–25 Railroad Street, North
Lincoln:
Coca-Cola Bottling Co. of Lincoln, 2120 "G" Street
Dr. Pepper Canada Dry Bottling Co., 1001 "L" Street
Lincoln Bottling Co., 6322 Havelock Avenue
Pepsi-Cola Bottling Co. of Lincoln, 711 South 25th Street
Seven-Up Bottling Co., 2409 "O" Street
Long Pine: Coca-Cola Bottling Co. of Long Pine
McCook: Stevens Seven-Up Bottling Co., 216–22 West First Street
Nebraska City: Nebraska City Coca-Cola Bottling Co., 213 Central Avenue.
Norfolk:
Norfolk Bottling Co., 108–10 Norfolk Avenue
Norfolk Coca-Cola Bottling Co., 316 Northwestern Avenue
Quality Beverage Co., Incorporated, 600 Omaha Avenue
Seven-Up Bottling Co .of Omaha, 1001 South 13th Street
North Platte: Coca-Cola Bottling Co., 210–09 North Dewey Street
Omaha:
Omaha Coca-Cola Bottling Co., 3200 North 30th Street
Independent Bottling Co., 4809 South 20th Street
Metz Brewing Co., 210 Hickory Street
Pepsi-Cola Bottling Co. of Omaha, Inc., 4603 South 72d Street
Royal Crown Beverage Co., 911 North 24th Street
Seven-Up Bottling Co. of Omaha, 2526 Dodge Street
Whistle-Vess Bottling Co., 1127 North 18th Street
Willow Springs Bottling Co., 1813 California Street
Scottsbluff: Coca-Cola Bottling Co. of Scottsbluff, 1328 Avenue "A"
Seward: Husker B–1 Bottling Co., 629 Jackson Avenue
Sidney: The Seven-Up Bottling C., Inc., 809 15th Street
Superior: Superior Coca-Cola Bottling Co., 200–06 National Avenue
York: Squirt Bottling Co., 419 Grant Avenue

Senator CURTIS. Now, is anybody subsidizing the sugar that any one of these concerns is using?

Mr. CREED. Yes, sir.

Senator CURTIS. Who is?

Mr. CREED. The Government and the taxpayer.

Senator CURTIS. Well, what concern are you speaking of, do you know of any particular bakery that doesn't pay for their own sugar?

Mr. CREED. They pay for their own sugar, Senator, but the prices they pay reflect the subsidies that are paid to the sugar industry.

Senator CURTIS. Well, the consumer pays for his own sugar; isn't that right?

Mr. CREED. That is correct.

Senator CURTIS. The sugar is not subsidized by the Government. The consumer pays the full price, isn't that correct?

Mr. CREED. The consumer pays the full price but there are payments made to the processors and the beetgrowers, conditional payments under the Sugar Act, which are reflected in the price that the consumer pays.

Senator CURTIS. Well now, how much has that price of sugar varied, say, since 1948? How much have transportation costs gone up for the people you represent since 1948?

Mr. CREED. Considerably.

Senator CURTIS. And how much has wages gone up?

Mr. CREED. Considerably.

Senator CURTIS. How much have local taxes gone up?

Mr. CREED. I presume they have followed the upward trend.

Senator CURTIS. And how much—income taxes, too, have gone up, haven't they?

Mr. CREED. I believe they have stayed at 52 percent.

Senator CURTIS. And social security taxes have gone up. The general commodity index has gone up.

Mr. CREED. Senator, I don't dispute any of those statements. Everything has gone up in costs. We don't argue that that is not the case.

But what we would like to point out is that every little thing that comes along, whether it be through the form of subsidized sugar production, whether it be in the form of higher wages or anything else, all adds to our costs of operation, and our objection is to this continued pushing by Government legislation to increase our costs.

Senator CURTIS. I do not concur at all with you in your quoting of Franklin Roosevelt that the domestic industry is uneconomical, it is on an artificial basis. I do not believe your portrayal of the operation of the Sugar Act is accurate.

I would doubt very much if the members of the various associations for whom you speak who reside in my State, would concur in the picture you have painted of the operations of this act or the recommendations you make.

I don't—I apologize if I have embarrassed you personally, but I don't believe your premise can be sustained by the facts.

Mr. CREED. Senator——

Senator BENNETT. Will the Senator yield?

Mr. CREED. Senator, you haven't embarrassed me personally but I must respectfully disagree with your conclusions. I think the members of our organization in your State do agree with me.

Senator CURTIS. I doubt if you can get any of them to send you a communication in opposition to sugarbeet expansion in the State of Nebraska. I doubt if you can get any one of those to send you a communication opposing the great sugar industry that we have there in the western part of the State now.

Mr. CREED. Senator, would the industry be willing——

Senator CURTIS. You have picked out a flyspeck in the commodity index and have come in here with a recommendation against a minority, it is a tiny minority, producing, processing sugar, when if I understand your testimony correctly, the other costs which you people, increased costs which you people have suffered are many times greater.

Mr. CREED. I wouldn't deny that, either, Senator, but at the same time, as I pointed out before, it is the sum total, the aggregate of all these increased costs that push our costs up, and we believe that with available sugar from the world market which can be made available here at a lower price that——

Senator CURTIS. Why not have available beverages from the world market, and available bake products?

Mr. CREED. We have them.

Senator CURTIS. From the world market?

Mr. CREED. In fact, bread is on the free list under the Tariff Act; we would appreciate it if that could be altered but the Congress doesn't see fit to do that.

Senator BENNETT. Will the Senator yield?

Senator CURTIS. Yes.

Senator BENNETT. Will you ask the witness if he will supply for each of the organizations he represents a comparison of the increase in the price of sugar since 1948 and the increase in these other costs of doing business so that we can see what a flyspeck this is in terms of increase?

Now, we had a witness here this morning who said that increase was 2 percent. I don't know whether that is accurate or not. But if the increase in the price of sugar since the end of World War II is anywhere in the nature of 2 percent, this will be a very, very small fraction of the other increases in the cost of business, so small as to be completely negligible.

Mr. CREED. I think the record will show, Senator, that it is more than 2 percent. At this point I am not prepared to say by how much, but I am pretty sure it is more than 2 percent.

Senator BENNETT. Would you be able, speaking officially for these companies, to compare the increase in the cost of sugar with the increase in the cost of the other things that go into the cost of doing business.

Mr. CREED. I think we can develop something along that line, Senator.

(Mr. Creed subsequently advised the committee that it would require several weeks to compile the information requested; thus it could not be submitted in time to be printed in the record. When he has the completed data he will submit copies to Senator Bennett and the committee.)

Senator CURTIS. I have nothing further, Mr. Chairman.

Senator LONG. Mr. Chairman.

The CHAIRMAN. Senator Long.

Senator LONG. As I understand it the position you are advocating is that the principles of complete free world trade be applied to this industry, if I understand it?

Mr. CREED. I am sorry, Senator, I didn't hear you.

Senator LONG. If I understand it, you are advocating that the principles of complete free trade be applied to the sugar industry in this country?

Mr. CREED. I wouldn't say completely free trade.

Senator LONG. What would you like to do? Just terminate the Sugar Act or take off the subsidies and the tariffs that the industry enjoys or would you just want to go half of the way?

My impression is that in my State, as an example, we can't produce sugar any more cheaply than we are doing. We might be able to produce it a little more cheaply but with the wage standards that we have I don't believe we would be able to produce it more cheaply. You want the price to go down to about half of what it is, don't you?

Mr. CREED. Senator, we recognize that the domestic sugar industry needs something beyond the price that the world market sells at to operate. We know that it is not competitive with sugar produced in the world market.

We also believe that there should be a domestic sugar industry. We do not quarrel with that at all.

Senator LONG. How do you want to keep them alive?

Mr. CREED. We would like to see them kept alive. Our objection is to this continued expansion at the subsidy that is taking place under every amendment of the act when it comes up.

Senator LONG. You recognize, don't you, that this Nation is a lot better off for sugar than it is for gold.

We are broke as far as gold is concerned.

Now, at least we are in position to produce all the sugar that we need. Which do we need worse right now in this Nation—sugar or gold?

Mr. CREED. Well, I presume that gold is a very important product that we could use some more of at this point in view of our balance-of-payments condition.

Senator LONG. If we are going to follow your recommendations and bring in more sugar, I can tell you the price is going to go down to half of what it is and our people are just going to have to quit producing; they will just have to close up.

Isn't that going to increase our problem on the balance-of-payments?

Mr. CREED. Senator, I don't think that we would want the price of sugar to go down to half of what it is. We are not advocating anything of that sort. All we are asking, actually, in our proposal to this committee, is that when it reports out of the bill that it put in a provision for the consumer that when the Secretary sets his quota it not be less than 100 pounds per capita.

That is all that we are asking of this committee.

Senator LONG. Well, you just want a major cutback on the industry, I take it, not to put them completely out of business, just a major cutback on them.

Mr. CREED. No, Senator, that is not correct. This is no major cutback at all.

Senator LONG. If you think the industry is uneconomic, why do you want to save it at all? You have been testifying here the industry is uneconomic. Why do you want to save it?

Mr. CREED. Well, let's put it another way. Would the industry be willing to expand if it did not have the subsidies available to it?

Senator LONG. Well now, would you take the same attitude with regard to every other industry that enjoys tariff protection; in other words, would you be willing to apply your principle generally to all industries?

Mr. CREED. Well, Senator, when you get into the question of protection of any industry, and the subsidies, I think subsidies burden our products. They are like narcotics. They can be helpful, but if you use them too freely, you can destroy the individual that uses them and I am not prepared to make a judgment on every other industry.

I think each one has to stand on the merits of each particular case. But as a general proposition, I think the use of subsidies has to be handled with very great care, and we believe that in the case of the domestic industry, that it is being given more and more subsidized expansion which isn't justified on the basis of the overall supply of sugar that is available to the United States from other countries.

There is a very healthy sugar industry in the United States, and we would like to see it kept that way.

Senator LONG. We just had a bad year, and I think this committee and this Congress and the Department of Agriculture have tried to see to it that sugar would be a healthy industry.

That is one reason why a lot of these people who are producing wheat and corn and other things want to get in the sugar business. They have noticed the sugar industry has been able to keep supply and demand on a level keel, the industry managed to closely control production in years of surpluses—control both acreages and volume so as to remain a relatively healthy industry for both the farmer and for the refiner.

I would hope the producers of other farm commodities could get their houses in order the same way.

Now, if it is found that the world price on wheat goes below what our wheat farmers can produce wheat for, do you think we ought to watch them go out of business or go broke or do you think we ought to try to give them some sort of protection to keep them in business?

Mr. CREED. Senator, you are dealing with sugar, a deficit crop in this country, whereas wheat is a surplus type of crop, and the two aren't strictly comparable.

It is much easier to control supplies of a crop that is in deficit supply than it is one that is in oversupply.

Senator BENNETT. Will the Senator yield?

The witness is anxious to increase the deficit position of the sugar crop.

Mr. CREED. No, Senator, I think that in the interest of consumers we should permit the same percentage to come from offshore as is the case under the present law.

Senator BENNETT. Well, as a matter of fact, doesn't the present law set it up so that the consumer pays the same price for offshore sugar as he does for domestic sugar?

Mr. CREED. Yes, sir.

Senator BENNETT. So, when you say you want to increase the percentage of offshore sugar you must be saying that at the same time you want to decrease the price at which off-shore sugar is available to the consumer, because if he now pays the same price for offshore sugar as domestically produced sugar, then there is no prospect of reducing the price to the consumer just because there is more sugar produced in Mauritius.

Mr. CREED. Well, Senator, under the act previously, Cuba supplied approximately 96 percent of our requirements, and we had this premium arrangement set up principally for the benefit of Cuba.

Now, many other countries are supplying us with sugar, they are getting the benefit of what might properly be termed "a windfall premium." We don't think that that necessarily should be continued, that somehow in the legislation the bill——

Senator BENNETT. The bill before us provides that that windfall would be absorbed by an importation but it is my understanding that the effect of this bill would not be to reduce the level of the price, the price level in the United States, but rather to recapture that premium for the benefit of the Treasury.

Senator DOUGLAS. For the benefit of the taxpayers.

Mr. CREED. I suppose the answer, Senator, is that the Treasury is part of the United States, whereas the premium that goes to these foreign countries has left our shores forever.

Senator BENNETT. That is part of foreign aid. We are going to have to replace it with other dollars we appropriate under another bill. But that is not the point.

The point that I am trying to get at is, you are trying to tell this committee that because there is an increase in the domestic production of sugar, the price will, therefore, go up. Yet the past law, the law we have before us, does not change the price of sugar because of the change in the relationship between the sugar produced abroad and the sugar produced here, unless you want the law changed so that the premium, whether it is paid to foreign producers or whether it is recaptured in terms of an import tax, is in fact, reduced.

Is that what you want to have happen?

Mr. CREED. We would expect that that would be a logical sequence, and to the extent that that is done in the administration's bill, we think it is desirable for the benefit of the consumer.

Senator BENNETT. Is it done in the administration's bill?

Mr. CREED. As I understand it, it would be phased out over a 5-year period.

Senator BENNETT. But that amount would be recaptured by the Treasury. There is no effect on the ultimate cost of the sugar delivered from offshore in the United States as a result of this bill.

Senator CURTIS. If the Senator will yield I think you will find a direct statement in the presentation of the Government yesterday that replacing the premium payment with an import fee would not change the price of sugar here so the witness' testimony amounts to a preference to buy it abroad rather than home at the same price.

Senator BENNETT. That is the way it seems to me.

Senator CURTIS. That is the practical effect of your testimony.

Mr. CREED. I concur with that, Senator, directly it will not and we only get an indirect benefit in that the money is in our Treasury instead of in the hands of a foreign government.

We would prefer it to be reflected in lower prices to the consumer. How that would be brought about, I don't know.

Senator BENNETT. You don't know of anything in the House bill that would bring that about?

Mr. CREED. No, sir.

Senator CURTIS. How much would it reduce the price of the Coca Cola, your proposal, how much will it reduce a pound of cookies?

Mr. CREED. Senator——

Senator CURTIS. If we gave you everything you are asking for here, you know that it wouldn't reduce the price to any consumer; is that true?

Mr. CREED. Senator, it probably wouldn't reduce the price in and of itself.

Senator CURTIS. That is right.

Mr. CREED. But in our industry in calculating the price of our products, they are carried out to the fourth and fifth decimal point and no one thing is going to change the price but the sum total of all the increases bring about your price changes.

Senator CURTIS. I am glad to have your statement but that of itself would not change the price of anything the consumers buy.

Senator MCCARTHY. A little more coke in the bottle? [Laughter.]

Mr. CREED. But you add all of these various increases that come from here and there including sugar and, eventually you do get price changes.

Senator BENNETT. I would like to follow up the question that the Senator has because I now have in my hands the 1947 price of sugar, the 1957 price, and today's price.

The 1947 price, according to the study made by the Department of Agriculture, report of the Special Study Group on Sugar of the U.S. Department of Agriculture, was $6.22 per hundred pounds.

The 1957 price was $6.24 a hundred, an increase of 2 cents a hundred in 10 years, and today's price is $6.42 a hundred, that is an increase of 20 cents a hundred or approximately a 3-percent increase over the 1947 price, and in view of that very meager change in the price I can't believe that you are wrestling with the right problem.

You should be more concerned with changes in the cost of labor, with increases in taxes and a lot of other things.

Mr. CREED. We are very much concerned with those areas, labor and taxes, but I would say that on the basis of your statement you would have no objection then to the inclusion of our proposed amendment in the bill.

Senator BENNETT. Well, there are other objections to that but I would like to yield to my friend.

Senator MORTON. I would like to point out before we had a Sugar Act—you are talking about $6.22 and $6.40 before we had a Sugar Act back in 1918 and 1919 it got up to $35 a hundred pounds, didn't it?

Senator BENNETT. I can remember.

This is the result of the stability that the Sugar Act has provided, and if we were to let the act expire this sort of thing would happen again. We would fluctuate from maybe 2.5 to 3 cents a pound to 12 to

15 cents a pound and the bakers and the bottlers would have a lot of fun trying to change their prices to adjust to the price of sugar, if sugar is an important an ingredient in their total mix. But if the cost of sugar, if the variation in the price of sugar, is between practically nothing and 3 percent, it would be interesting to figure out how much that price variation affected the total cost when you took into account the other ingredients that are used in beverages or biscuits.

But go back to the amendment you propose, which is to put an arbitrary floor on the consumption estimate, do you think that would tend to stabilize or unstabilize the month to month prices on sugar?

Mr. CREED. If anything, Senator, I think it would stabilize them.

Senator BENNETT. Can you want anything more stable than a price which varies less than 3 percent in 15 years?

Mr. CREED. Well, Senator, I think it should be borne in mind that as the areas of domestic production expand, as they would under the pending bill, there are going to be more and more pressures exerted on the Secretary of Agriculture who administers this law to hold quotas down to push that sugar price up he may never succumb but at the same time, this provides some insurance and a direction from the Congress that though he may move within a certain range he is not to go below this minimum of 100 pounds per capita at any time.

That is all that we are seeking.

Senator BENNETT. This takes the flexibility out of his operation, makes it impossible for him to produce the kind of stability that we have had here.

You talk about pressures on the Secretary of Agriculture. He certainly hasn't yielded, if in 15 years you have had a variation of 3 percent.

Mr. CREED. Senator, this would only keep him from having that stability at a higher price level than would otherwise be the case.

After all, in the last 5 years, the average has been 103.6 pounds per capita consumption, and that leaves him plenty of room between that average level, assuming it would stay about there, and 100 pounds, to take care of any adjustments that might be called for.

This is insurance for the consumer; that is all that we are asking.

Senator BENNETT. I still come back to the fact that the consumer has not needed this kind of insurance.

The record just simply contradicts your assumption and the effect of this would be to, I think, unhinge the stability rather than to help preserve it, and it would limit the opportunity of the Secretary of Agriculture to carry out the objective of the act, which is to provide a stable situation.

Mr. CREED. Senator, we all carry fire insurance on our homes hopeful that we will never need it, but it is comforting to know that insurance is there in case a fire does occur.

Senator BENNETT. I think the present policy provides sufficient insurance, and this has operated through a Suez crisis, when the world price for sugar became double the domestic price. This didn't happen.

The waves from that shock didn't hit the domestic industry. Coca-Cola was still able to get sugar at the same price, or approximately, that it did before and after Suez. I think we have sufficient insurance in the bill without putting in this rigidity, which I think would tend to create greater price fluctuations rather than stabilize prices.

The CHAIRMAN. Any further questions?

Senator MORTON. Mr. Chairman, I have just very briefly—I used to sell flour, and if things don't go well in November with me I might be peddling that again.

Mr. CREED. We will be glad to buy some from you, Senator.

Senator MORTON. I may be peddling again in November. Insofar as your amendment is concerned, I see what you are trying to accomplish, but I just don't think we can write it into the bill per se.

I think we might develop language in the report indicating that this is an objective.

If you take a product such as wheat which the per capita consumption has been going down, down for many years, as you know, and the Congress had tried to put a floor under wheat production, which we have done in other ways by price supports but had tried to put it by requiring that 160 pounds per annum had to be maintained or whatever it was, we would have been in a dangerous situation.

I hope the per capita consumption of sugar does not take a decline such as the per capita consumption of wheat took.

So I have some hesitancies about your amendment but I think the purpose you are trying to achieve of having an adequate supply is a sound purpose, and as one member of the committee I shall try to achieve that end in whatever way we can.

Mr. CREED. We certainly appreciate that, Senator.

Senator MORTON. Thank you.

The CHAIRMAN. Thank you very much.

Mr. CREED. Thank you, Senator Byrd.

(The statement previously referred to follows:)

STATEMENT ON BEHALF OF THE INDUSTRIAL SUGAR USERS GROUP BEFORE THE HOUSE COMMITTEE ON AGRICULTURE ON PROPOSED AMENDMENTS TO THE SUGAR ACT OF 1948, PRESENTED BY JOSEPH M. CREED

Mr. Chairman and members of the committee, my name is Joseph M. Creed. I am counsel for the American Bakers Association and the Biscuit and Cracker Manufacturers' Association, both of which organizations are members of the Industrial Sugar Users Group, whose views I am presenting here today.

The industrial users subscribing to this statement are: American Bakers Association, American Bottlers of Carbonated Beverages, Associated Retail Bakers of America, Association of Cocoa and Chocolate Manufacturers of the United States, Biscuit and Cracker Manufacturers' Association, Flavoring Extract Manufacturers Association of the United States, International Association of Ice Cream Manufacturers, National Bakers' Suppliers Association; National Manufacturers of Beverage Flavors, and National Preservers' Association, Inc.

I direct my testimony principally to H.R. 11725, introduced by Mr. Abernethy, which would amend and extend the Sugar Act of 1948, and which we support.

The purpose of this bill, among other things, is to provide an equitable realinement of the sources of sugar on which industrial sugar users and other consumers in this country must depend. Inasmuch as this country is a deficit producer in sugar, we must necessarily import a substantial percentage of all the sugar we use and, historically, we have always done that.

During the years that the supply and distribution of our sugar has been under legislative control, particularly since 1934 and culminating in the Sugar Act of 1948, it has always been the design and purpose of Congress and the various administrations, whether Democratic or Republican, to maintain a domestic sugar industry, but recognizing that it is a high-cost heavily subsidized producer, to contain it at a level which would provide a fair return for those engaged in it; and at the same time, not impose an unfair burden on the consumer and taxpayer who must support it. Indeed, the preamble to the act gives coequal status to the welfare of the consumer and those engaged in the domestic sugar-producing industry.

For this reason, the original 1948 Sugar Act established generous numerical quotas for all of the domestic areas, and at the same time established criteria to be followed by the Secretary in setting quotas to enable him to carry out the will of Congress in providing sugar at fair and reasonable prices to consumers.

55–45 DIVISION SHOULD BE RETAINED

At the time of the extension of the act by the amendments of 1956, because of the rapid expansion of population of our country in the intervening years, and technological advances in the domestic sugar-producing industry, the high fixed quota so avidly sought in 1948 resulted in a smaller percentage of total requirements to be supplied by it than the domestic industry believed itself entitled to. Thereupon, in 1956 they sought to receive 55 percent of all future growth of sugar requirements in the United States above a basic quota of 8,350,000 short tons. As was so cogently pointed out by the vice chairman of the committee, Mr. Poage, during the 1956 hearings, the domestic producers in 1948 thought that "they were getting a good trade by trading off their 55–45 formula and getting a fixed formula, which they did not think they could reach." (House sugar hearings, 1955, page 131). As he correctly observed, when they found they had made a bad trade, they came back to Congress demanding a change in the formula more to their advantage.

They were successful in achieving this in the 1956 amendments, and it remained the division up until the defection of Cuba from among the friendly nations of this hemisphere. Today the domestic producers are back pressing their advantage, brought about by the fall of Cuba, for a higher take. Their objective is a great expansion of acreage to give them the giant's share of the market, with the highest subsidy per acre which Congress provides for any agricultural commodity. This, of course, means higher prices to consumers and more taxpayments to finance the subsidies.

According to the USDA sugar situation, March 1962, sugarbeet production in 1961 was estimated at 17,966,000 tons, a record high, 9 percent larger than 1960. Cane production in 1961 on the mainland was estimated in December at 8,649,000 tons, also a record high, 21 percent above the 1960 crop. Hawaii produced 9,581,000 tons, up 11 percent over the previous year, and Puerto Rico produced 10,754,000, an increase of 11 percent. This record production in all areas will cost consumers and taxpayers in the United States record subsidy payments of about $76 million; $43 million for the beet areas and $33 million for the sugarcane areas based on the average payments per ton which were paid on the 1960 crops.

The amazing specter of a crop heavily subsidized and expanding rapidly has not been lost on any area which is geographically or climatically suited to the production of beets and cane. As a result, therefore, great clamor has arisen to participate in this bonanza of subsidized expansion.

Hence, proposals have been made to the administration and the Congress to write permanently into sugar legislation a tremendously large share of the windfall sugar which, until its elimination as a source of sugar, Cuba supplied, and the windfall reallocations from Puerto Rico and Hawaii under the 1956 amendments. Advance publicity of the administration's bill is convincing evidence that the domestic growers have been able to secure from the administration an agreement most beneficial to their interests. That the administration's concessions will cost consumers heavily in added sugar costs in the years ahead is apparently of little moment, unless Congress itself recognizes the inequity of this bill, and enacts legislation which would, in the words of President Franklin D. Roosevelt, in his sugar legislation message to Congress February 8, 1934, "provide against further expansion of this necessarily expensive industry."

As representatives of sugar users, the customers of the sugar industry, and the consumers of the product, we believe it will be more equitable in the interests of the relatively voiceless consumer, if such limitations embodied in the philosophy of the Sugar Act be retained.

We are sure this committee is aware that as the beet industry expands production beyond what can be consumed in its normal marketing area, it must move that excess production to areas which are more economically served by cane sugar suppliers. This is particularly true of the eastern seaboard area which has always depended on offshore cane sugars for its requirements. With the reduction in the quantity of offshore sugar proposed in the administration bill, the competition among refiners to obtain their proportionate share of what is

available will intensify. At the same time population increases in their marketing area effect higher demand. There can be only one result—higher prices for raw sugars in the New York markets.

Inasmuch as raw sugar prices established in New York are used as a basis for prices for the rest of the country, any curtailment or reduction of offshore sugars will automatically establish a higher level for sugar prices everywhere. Additionally, the cost of transporting beet sugar increases sharply once it moves out of its normal area. All of which raises the question as to why an artificial high-priced market should be established for beet sugar when offshore suppliers are in an excellent position to fill those needs as they have always done, under conditions which will make prices bear some relationship to supply. As a secondary consideration, this in itself is an excellent foreign aid program through regularly established commercial channels, much to be preferred over Government handouts.

Congress in its last overall revision of the law, at the behest of the domestic industry, set their fair share at 55 percent of all growth, and there, we believe, it should remain. Thus, H.R. 11725, which we support here today provides a basic numerical quota for domestic growers of 4,910,000 short tons, raw value, with 55 percent of all requirements over 9,600,000 short tons, raw value, to be supplied by the domestic growers. This unquestionably would continue the objectives of adequate protection of those engaged in the domestic sugar-producing industry.

H.R. 11725 increases the basic numerical quota of the domestic industry from the present 4,444,000 to 4,910,000 short tons, raw value, an increase of slightly over 10 percent. Additionally, since the domestic growers would be entitled to 55 percent of all of the quota in excess of 9,600,000 short tons; and since it is reasonable to assume that the quota for 1963 will be at least 10 million tons, there will be a further increase for the domestic industry of 220,000 tons next year, which, in effect, provides them with a minimum increase of 15 percent above the basic quota in the 1956 act. Additionally, they will continue to participate in the growth of demand at the rate of 55,000 tons for every additional 100,000 tons in demand. This assures them an additional 100,000 to 150,000 tons each year—all of which we must remember will be heavily subsidized. This annual increment could be partially reserved for new growers.

A quota this large is more than ample to take care of all reasonable productive capacity for the foreseeable future. The beet share of a 10-million-ton quota under our proposal would amount to approximately 2,250,000 short tons. The domestic cane other than Puerto Rico and Hawaii would receive approximately 900,000 tons. These are substantial increases in quantity over what was provided in the 1956 act, and enables the domestic industry to continue to grow in the years ahead.

It might also be pointed out that when the generous provisions for the domestic industry were established in the amendments of 1956, certain basic assumptions were made as to requirements for the years through 1962.

Year	Assumed requirements [1]	Quota [2]	Distribution [2]
1956	8,535,000	9,000,000	8,904,000
1957	8,670,000	8,975,000	8,734,000
1958	8,805,000	9,200,000	9,030,000
1959	8,940,000	9,400,000	9,181,000
1960	9,075,000	10,400,000	9,261,000
1961	9,210,000	10,000,000	9,612,000
1962	9,345,000	9,700,000	----------

[1] Senate Committee Report No. 1461, 1956.
[2] U.S. Department of Agriculture.

Actual growth was greatly in excess of the assumptions. Thus, it can be seen that even at the 55–45 level, the provisions of the Sugar Act have been extremely generous to the domestic growers and processors, considering they had anticipated much smaller quantities for the years through 1962.

ESTABISHMENT OF ADEQUATE INITIAL QUOTA

One of the problems which has constantly confronted industrial sugar users since enactment of the Sugar Act of 1948 has been the matter of obtaining an adequate initial quota to provide for consumers' requirements, as determined by the Secretary of Agriculture pursuant to the provisions of section 201.

In the Sugar Act of 1937, it was provided that there should always be a quantity of sugar available to consumers equivalent to the per capita consumption times the population. No such provision was included in the Sugar Act of 1948, whether by inadvertence or otherwise. Consequently, we have seen the situation in recent years, of the Secretary announcing a determination of requirements at a given level, but deliberately setting the quota below that level to raise prices to consumers. As consumers and users of sugar, we have felt that such a device was an extralegal extension of the powers conferred by Congress and contrary to its intent.

We always have read section 201 as requiring the Secretary to make a quota determination to the best of his ability, following the criteria set forth in that section; and having made such a determination, to establish a quota consistent with it. It has not, however, always worked this way.

Even this year, with sources of supply relatively uncertain, it was determined that the requirements for the continental United States would be 9,700,000 short tons, raw value, but the quota was initially set at 9,500,000 tons, for the stated purpose of raising prices. Thus, consumers were shortchanged with respect to the quantity of sugar made available for their requirements. It was only within the last month, on April 13, that the quota was increased to the 9,700,000 tons determination, when the supply situation in the Northeast became extremely perilous.

Additionally, over the past several years, it has been obvious that neither Puerto Rico nor Hawaii would fulfill their assigned quotas. Although the prospective deficits of these areas were generally realized at the beginning of each calendar year, even though the total deficits could not be determined with exactitude until later in the year, the Department has been slow to make the necessarily reallocations of quotas to compensate for these deficits. To the extent that such reallocations have been delayed, it has resulted in a further diminution of the quota for consumers with upward pressure on prices.

H.R. 11725 adds a proviso to section 201 which would require that the initial quota established by the Secretary in any calendar year shall not be less than the amount required after allowance for normal carryover, to give the consumers for the continental United States a per capita consumption equal to the average of the 2-year period 1957–58. The per capita consumption on a raw value basis in 1957 was 102.04 pounds; in 1958, 103.76, with an average for the 2 years of 102.90.

Since the per capita consumption of sugar is relatively inelastic, the use of this recent base period would provide a minimum basic quantity of sugar to consumers. More importantly it would serve to demonstrate that Congress is just as concerned with the welfare of consumers as it is with sugar producers.

REVISION OF PRICE OBJECTIVE

The administration bill would amend section 201 of the act to delete the present cost-of-living pricing criterion and substitute for it the following language: "* * * the relationship between the price for raw sugar that he [the Secretary] estimates would result from such determination and the Parity Index, as compared with the relationship between the average price of raw sugar during the 3-year period 1957, 1958, and 1959, and the average of the Parity Indexes during such 3 years." This new formula may reasonably be expected to set a higher price objective for the Secretary to aim at in arriving at his consumption estimates. It should be obvious that a higher price objective, together with greatly expanded subsidized production is going to cost the consumers and taxpayers dearly in the years ahead. We believe this proposed change should be rejected.

FOREIGN SOURCES OF SUPPLY

Recognizing that Cuba's participation in our sugar quotas may never again be what it was prior to the emergence of Castro, it is our recommendation that all but 2 million short tons of the sugar to be secured from foreign sources, amounting to approximately 1,560,000 tons be divided on a proportionate basis among

specified Western Hemisphere countries. We would reserve for Cuba, to hold out hope to her beleaguered subjects, 2 million short tons, raw value, to be available at such time as she returns to the community of friendly nations in this hemisphere. In the meantime, the President would be authorized, as he now is, to withhold that sugar and reapportion it among the countries which are able to supply us, with primary emphasis on the countries which would be given basic quotas under section 202(c) of the Sugar Act as amended by H.R. 11725.

At this point, I would like to comment on the administration's proposal that the act should be so amended as to eliminate assigned quotas to foreign countries and in place of such a procedure, to allow all countries which could supply us with sugar to make their supplies available apparently on a first-come, first-serve basis—the so-called global quota concept.

As the Industrial Sugar Users Group has always made clear and evident, our policy objective is to assure adequate supplies of sugar at reasonable prices, under all conditions, to consumers in this country. At first blush, it may seem that the administration's proposal is an excellent way of attracting sugar from all exporting countries to our shores. In our considered judgment, however, the time for using that approach disappeared with the demise of Cuba as a source of our supplies. When Cuba was available, with its limitless quantities of sugar to supply our population, the efforts of the Government were all in the opposite direction: To exclude and limit foreign sugar that would be available under a global quota system, although undoubtedly such an approach then could have provided sugar to consumers at prices well below those which actually prevailed.

Today, however, when this vast reservoir of Cuba is no longer available to us, the Government comes forward with such an approach—the global quota—apparently on the theory that all sugar-producing countries at all times and under all conditions would want to supply this market.

The industrial sugar users firmly believe that such an approach in today's world could result in a disastrous elimination or curtailment of important sources of sugar for the United States. We firmly believe that the best approach today is to continue the policy of assigned quotas on a broadened base to specified countries with known sugar capacity, and a desire and willingness to provide this market with its requirements on a permanent and lasting basis. We have, therefore, proposed that the countries of the Western Hemisphere—and only Western Hemisphere countries, except for the Philippines which is covered by a treaty—be given assigned quotas on such basis as to the committee may seem a sound and equitable division.

Section 202(c) of the Sugar Act as amended by H.R. 11725 would establish specific quotas for the various Western Hemisphere countries which we think bear a sound relation to their capacity, willingness, and recent history of sugar exports to the United States.

Although we have suggested specific percentages for the Western Hemisphere countries, we must, in the final analysis, leave the breakdown to the wisdom of the committee and the Congress.

An additional provision in H.R. 11725 which should be helpful to the smaller Latin American countries, would authorize any Western Hemisphere country to supply the United States up to 10,000 short tons, raw value, each year in raws or direct consumption sugar, at their option.

We propose that the treaty quota of the Philippines be increased by 15 percent, which could provide that country with a quota of 1,127,000 short tons, raw value. We believe it is an increase which can be justified on many grounds, not the least of which is the long history of friendship and support of U.S. policies. Additionally, the Philippines has consistently demonstrated a willingness and capacity to supply our requirements. Congress explicitly recognized the closeness of ties between the two countries by assigning precedence to the Philippines in the present extension of the Sugar Act, in apportioning it 15 percent of the overquota sugar. This precedent should be followed in an increase of the Philippine Treaty quota.

With that one exception, all other foreign sugar in the basic quotas would be assigned to Western Hemisphere countries to assure, as best the Congress can do, an adequate supply of sugar under all conditions, at reasonable prices, to consumers in the United States.

RELOCATION OF DEFICITS

H.R. 11725 would revise section 204 relating to proration of deficits. It is commonly agreed that the amendments of 1956 introduced, although unintentionally, a severe dislocation of sugar supplies in the Northeast—the heaviest sugar-consuming area of the country—by authorizing the domestic areas to receive deficits of Puerto Rico and Hawaii. Prior to 1956, such deficits would have gone to Cuba, which supplied the northeastern territory. Once these deficits were made available to the beet area, an automatic shortage and upward pressure on prices were created for the large consuming area of the Northwest which depended on cane sugar from offshore sources. To avoid this situation in the future, we propose that all deficits be apportioned among the foreign countries having quotas under section 202(c), except that Hawaiian deficits in excess of 350,000 short tons, raw value, would go to the domestic beet area.

CONDITIONAL PAYMENTS

Turning now to the conditional payments provided for in the act, we suggest that there be a slight reduction in the payments from those presently allowed under existing law. We believe that some reducton is not only justified, but imperative, to protect the consumer.

As pointed out in the May 1962 issue of Marketing and Transportation Situation of the Department of Agriculture, there has been a reduction in the man-hours of fieldwork required per ton of sugar from 1948 to 1960, ranging from a high of 63 percent in the production of Florida cane to 44 percent for beet sugar. In the same period, the number of beet acres harvested have increased from 694,000 to 1,088,000 in 1961. Similarly, the acreage harvested for cane sugar increased from 307,000 acres in 1948 to 331,000 acres in 1961. This points up the great strides in mechanization and improved technology resulting in improved yields per acre, so that the yield in the beets has increased from 13.6 tons per acre in 1948 to as high as 18.8 in 1959, and a slight drop to 16.5 in 1961. The yield per acre in Louisiana went from 17.4 tons in 1947–49 to 24.5 tons in 1961; Florida from 28.7 to 34.2 tons in that period ("The Sugar Situation," March 1962).

In spite of this substantial increase in yields and acres harvested, with approximately 100,000 fewer employees, the subsidies or conditional payments have been frozen into the act at the same level since 1948. As a result, the average payment per farm has showed a continual rise over these years. For example, in 1958, the average payment per farm in the beet area was $1,430, ranging from a high of $3,415 per farm in California to a low of $493 per farm in Wisconsin. This increased in 1960—the latest year for which figures appear to be available—to an average of $1,658 a farm, ranging from $4,200 in California to $436 in Wisconsin.

In the case of the mainland cane area, the average payment per farm in Louisiana was $1,812 in 1957 and $2,672 in 1960. Florida in the same period of time paid $50,052 to individual farms in 1957–58, and $97,342 to each farm in 1960–61 (USDA "Sugar Report," December 1961).

In 1960 total payments of $72 million were made to sugar growers, up from $66 million in 1957. In 1953 the beet area, the recipient of the lion's share of the subsidy payments, received $30,310,000; in 1960 it received $40,377,000; an increase in payments of 33⅓ percent; this year we estimate it will receive $43 million. These are fabulous figures of which the consuming public has no awareness. Yet, in spite of this tremendous subsidy, the administration comes forward to propose a tremendous expansion with more subsidies of this expensive industry. At this rate we can confidently look forward to subsidies approaching $100 million by the time Congress gets around to consideration of the act again. When, if ever, will these subsidies end? If the domestic industry wishes to expand, it should do so without Government subsidies, which the consumers pay in higher sugar prices.

In 1960 out of more than $40 million in subsidies to the beet area, fewer than 20 percent of the 39,000 payees received 80 percent or $32 million. Hawaiian payments averaged $12,892 per farm, with more than $8 million going to fewer than 30 payees. In Florida, 14 payees received $1,363,000, or an average of $97,000 per farm. This is big business, gentlemen. And yet, it is proposed that these producers be permitted and encouraged to expand with the same rate of subsidy.

There is no need for this continued domestic expansion of high-cost sugar. Sugar is a natural low-cost crop for many countries which can easily supply us with our requirements. Furthermore, it is an excellent and practical way to provide self-help to many nations whose people we desire to help—particularly in Central and South America. Now is the time to call a halt to perpetuation of this unending expansion of the domestic subsidized sugar industry, and avail ourselves of supplies from these countries.

Under present law, conditional payments are made to growers ranging from 80 cents per hundredweight for the smallest farms to 30 cents per hundredweight for farms with production of 30,000 hundredweight or over. H.R. 11725 would reduce the payments to a maximum of 70 cents for the smallest category and 20 cents for the largest, with proportionate reductions for farms in between as set forth in the following table:

Reduction in the base rate of payment per hundredweight of such portion

	Present	Proposed change
350 to 700	$0.05	$0.10
700 to 1,000	.10	.15
1,000 to 1,500	.20	.25
1,500 to 3,000	.25	.30
3,000 to 6,000	.275	.35
6,000 to 12,000	.30	.40
12,000 to 30,000	.325	.45
More than 30,000	.50	.60

Mr. Chairman, the industrial sugar users collectively consume approximately 7 million tons, or roughly 70 percent, of all the sugar used in the United States. The consumers' annual sugar bill is about $1¾ billion. To demonstrate graphically the importance to the consumer of seemingly inconsequential price fluctuations, an increase of one-hundredth of a cent per pound of sugar over a year costs the American consumer an additional $2 million.

Obviously, therefore, we have a great stake in whatever legislation this committee recommends and the Congress passes. We have in years gone by attempted to bring this forcefully to the attention of the Congress. Because of the unsettled world conditions in the past several years, it has been difficult to rewrite long-term legislation in sugar which would preserve the equities of all interested groups, including the consumer for whom Congress has established an objective of adequate supplies at reasonable prices.

Congress once again is pushing toward a deadline of June 30, 1962—but a few short weeks away. This committee has before it various bills, including ours, H.R. 11725, and the administration's none of which it has had an opportunity to study in depth.

At all costs it should avoid writing into this important legislation inequities against consumers. Once the Congress puts proposals into the law, it is next to impossible to excise them. In this category we put the proposals to expand the heavily subsidized high-cost domestic production at great expense to consumers. We have heard many protestations from the administration that the consumer must be protected from rising costs and creeping inflation. This legislation is an excellent place to translate words into action which can truly benefit the consumer.

With this in mind, we respectfully suggest to the committee that a temporary 6-month extension of the present law be enacted, and that the committee then proceed to a detailed analysis and study of all the proposals advanced to it as to how the sugar problem should best be treated. It is more probable that equity will be done under such a procedure.

It is appropriate, I think, to point out to this committee that all of the industrial sugar users who would be affected by this sugar legislation constitute the best customers which the farmer has. It is doubtful that any domestic crop can be named of which one or the other of our industries is not the largest user. We have a great comity of interest with the farmer. We are aware of his problems, his difficulties, his expectations; our recommendations are made not to impair his position one iota, but to try to establish equitable and sound economics in this extremely complex field of sugar production, distribution, and use.

We ask this committee, Mr. Chairman, to consider the interests of the consumer who must have an adequate supply of sugar at all times and should be able to obtain those supplies at reasonable prices, and would be able to, if a sound and equitable bill is recommended by this committee. In that connection, a few observations might be pertinent on the administration's proposals to recapture the premiums paid to foreign sugar producers who sell to the United States, representing roughly the difference between the price level prevailing in this country and world market prices—approximately 2 to 3 cents per pound. If foreign sources furnish us with some 4 million tons, the premium involved would be $80 to $120 million. Under the administration bill, this proposed recapture would not be utilized to reduce sugar prices to consumers, but would be put into a special fund in the Treasury and authorized to be appropriated from time to time to the President for use in furnishing assistance to countries and areas in accordance with the provision of the Foreign Assistance Act of 1961, as amended.

In other words, this administration proposal would in effect impose a special tax on users of sugar, which money would automatically be available to the President to carry out the provisions of another law without any consideration by Congress and without the necessity of direct appropriation.

We may be naive, but to us this appears to be an insidious form of back-door financing without any accountability to Congress. If the administration were to utilize these funds to reduce sugar prices to consumers, the recapture concept would have validity, and we, as consumers, would have welcomed such a step as constructive, but we strenuously object to this special tax on sugar users for the foreign-aid program.

We believe that H.R. 11725, introduced by Mr. Abernethey, is a bill which, if found acceptable by this committee, will in our opinion, provide a sound, balanced program which will do equity for domestic producers, foreign suppliers, and consumers. We believe it merits the earnest consideration of this committee, and we hope our comments will be helpful in your deliberations.

The CHAIRMAN. The next witness is Mr. John N. Lynn, American Farm Bureau Federation.

STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR, AMERICAN FARM BUREAU FEDERATION

Mr. LYNN. Mr. Chairman, in the interest of time I would like to file my statement and make two or three comments.

The CHAIRMAN. Without objection.

Mr. LYNN. We support the extension of the Sugar Act. We certainly concur in many of the statements made this morning by farmers throughout the country, that we ought to have a greater share of the basic quota and the increased growth than we have had.

Our recommendation, as you will see, Mr. Chairman, varies somewhat but only slightly from the bill that has passed the House.

The biggest variation is the increase in the percentage of the annual growth that we would allocate to domestic producers.

We urge that you pass this legislation before the end of June since this is the expiration of the act.

(The prepared statement of Mr. Lynn follows:)

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION BEFORE THE SENATE FINANCE COMMITTEE WITH REGARD TO LONG RANGE LEGISLATION AFFECTING THE DOMESTIC PRODUTION OF SUGAR

Presented by John C. Lynn, Legislative Director; Marvin L. McLain, Assistant Legislative Director

We appreciate the opportunity to present Farm Bureau's recommendations for changes in sugar legislation. Our organization for many, many months has urged this committee and the Congress to make substantial changes in the Sugar

Act to take account of changed conditions, including the needs of domestic producers for larger quotas. These changes are long past due. We regret very much that the administration did not come forward early in 1961 with firm recommendations on changing the Sugar Act to aid domestic producers of cane and sugarbeets.

The need to find new uses for excess acres shoud be clear from the facts that close to $800 million was paid out in 1961 under the emergency feed grain program and approximately $1,250 million will be paid out in 1962 under the emergency feed grain and wheat programs. Many of our members desire to begin, or expand, production of sugarbeets or cane. Since sugar is one of the few crops that is produced in deficit in the United States, it is extremely important that we do all we can to permit our farmers to increase their acreages of cane and sugarbeets as much and as quickly as possible.

Farm Bureau is an organization of over 1,600,000 farm families who are voluntary members of 2,674 county farm bureaus. As an organization with members in Puerto Rico and 49 States, including Hawaii, Farm Bureau has a very broad interest in sugar legislation. We represent both farmers who are now growing sugar crops and farmers who are interested in becoming producers of such crops. As a general organization, we are also interested in sugar legislation from the standpoint of (*a*) the overall interest of agriculture and the Nation in international trade and (*b*) the contribution that increased domestic sugar production could make toward a solution of the overall farm surplus problem.

The recommendations we are making here today reflect a reconciliation of these different points of view. They are based on policy resolutions adopted by the elected voting delegates from the member State Farm Bureaus at our December 1961 annual meeting, which read in part as follows:

"We continue to support the Sugar Act as a means of dealing with problems peculiar to the sugar industry. While the United States could produce its total sugar requirements, we recognize that international relationships must be taken into consideration in the development of sugar policy. The primary provisions of the sugar program do not relate to payments but to quotas that regulate the marketing of imported and domestically produced sugar.

"We recommend extension of the present Sugar Act for a period of years on a basis that will protect domestic growers. We favor provisions for:

"(1) Immediate and substantial quota increases for the mainland cane and beet areas.

"(2) A substantial increase in the domestic share of increased consumption due to growth, to be apportioned to all domestic sugar-producing areas.

"(3) Sugar production in new areas.

"(4) Such changes in the formula for reallocating domestic deficits as are consistent with changes in basic quotas and the growth formula."

DURATION

We recommend that the Sugar Act be extended for 5 years—July 1, 1962, through June 30, 1967.

CHANGES IN DOMESTIC QUOTAS

The basic quotas for domestic areas should be revised on the basis of a domestic consumption estimate of 9.7 million tons. Three of the five domestic sugar areas—Hawaii, Puerto Rico, and the Virgin Islands—have been unable to fill their quotas in recent years. Accordingly, the basic quotas proposed for these areas are approximately the same as their current shares of a domestic consumption of 9.7 million tons. On the other hand, we propose substantial increases for the mainland cane and beet areas in recognition of their present and potential production.

The percentage of the 9.7 million tons we are suggesting for the domestic area is 61.13 percent. The breakdown would be as follows:

Beet area	2,665,000
Mainland cane area	900,000
Hawaii	1,150,000
Puerto Rico	1,200,000
Virgin Islands	15,000
Total domestic	5,930,000

CHANGES IN THE GROWTH FORMULA

Under the present law, domestic sugar producers receive 55 percent of the growth in domestic sugar consumption above 8,350,000 tons.

In order to permit a further expansion of domestic production on an orderly basis in line with its long-range potential, we recommend that a provision be written into the law to reserve 67½ percent of the growth above 9.7 million tons for the domestic areas. This would leave 32½ percent of the growth to foreign areas.

The 67½ percent reserved for domestic areas should be shared—75 percent by the domestic beet sugar area and 25 percent by the mainland cane sugar area until offshore domestic areas are able to overproduce their basic quotas. If in any year Hawaii, Puerto Rico, or the Virgin Islands produce more than their basic quota, they should in the following year, upon request, receive a quota increase equal to such excess, with the proviso that no such increased quota shall exceed the basic quota (plus growth) applicable under present law. All such increases in offshore domestic quotas should be charged to the foreign total.

It is very essential in order to permit further orderly expansion of the domestic cane and beet industry that we have adequate provision in the new Sugar Act for growth. We believe that the percentages we have indicated will more adequately take care of the needed expansion in our domestic industry.

The following table shows the quota breakdown by areas resulting from application of the growth factor to domestic consumption estimates above 9.7 million tons.

Estimate of domestic consumption

Area	9.7 million tons	9.85 million tons	10.0 million tons	10.15 million tons	10.3 million tons
Beets	2,665	2,741	2,817	2,893	2,969
Mainland cane	900	925	950	975	1,000
Hawaii	1,150	1,150	1,150	1,150	1,150
Puerto Rico	1,200	1,200	1,200	1,200	1,200
Virgin Islands	15	15	15	15	15
Total domestic	5,930	6,031	6,132	6,233	6,334
Available to foreign countries	3,770	3,819	3,868	3,917	3,966

PROVISIONS FOR NEW GROWERS

At the present time there are no acreage restrictions on the production of sugarbeets or sugarcane. The main restraining factor is the availability of processing facilities. If the proposed changes in the basic quota and growth formula provisions of the law are made, it will open the way for the construction of additional processing capacity.

Whenever restrictive proportionate shares need to be put into effect for either cane or beet growers, a fair and equitable distribution should be made to protect the interest of old growers and give new growers and new areas an opportunity to produce sugar.

CONCLUSION

We believe the recommendations we have made will provide the basis for a sound and defensible program for the orderly expansion of the domestic sugar industry. We have made no attempt to fill in the details with respect to future allocations to foreign countries, as such allocations obviously involve important international considerations.

We strongly recommend that this committee develop a bill designed to deal with the entire sugar problem on the basis of our suggestions as far as the domestic producers are concerned. We, furthermore, urgently request that this committee act quickly so that a bill can be passed by the Congress before the June 30 deadline. In fairness to our farmers who are interested in producing sugarcane and sugarbeets and for the good of the whole Nation, it is important that we act quickly.

We appreciate the opportunity to present our views.

The CHAIRMAN. Thank you very much, Mr. Lynn.

Senator MCCARTHY. Mr. Chairman, may I ask one question?

The CHAIRMAN. Senator McCarthy.

Senator MCCARTHY. There seems to be quite a contradiction in Farm Bureau's support of this legislation which involves kind of a production payment method and your opposition to the use of that method in other farm legislation.

Mr. LYNN. There is no contradiction, sir. We support this legislation and we also support the Wool Act, but we are dealing with a commodity here that is in a deficit supply as well as when we deal with wool, and we think in a situation such as has been described here in the last half hour, that the stability that has been injected in this sugar industry due to the fact in many countries it is a complete government monopoly, there is some justification for the payment program.

Senator MCCARTHY. But you are not opposed to production payments as a matter of principle then. It depends upon the practical situation?

Mr. LYNN. Well, it depends. I think you have to look at each of these commodities, Senator McCarthy.

Senator MCCARTHY. We are talking about a principle at this point. The production payment itself is not to be condemned?

Mr. LYNN. We have opposed, as you know, very vigorously compensatory payments for many of the domestic product agricultural commodities.

Senator MCCARTHY. I know you have.

Thank you.

The CHAIRMAN. Thank you, sir.

The next witness is Mr. Sidney Zagri, of the International Brotherhood of Teamsters.

Take a seat, sir, and proceed.

STATEMENT OF SIDNEY ZAGRI, LEGISLATIVE COUNSEL, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN & HELPERS; ACCOMPANIED BY JEFF KIBRE, WASHINGTON REPRESENTATIVE, INTERNATIONAL LONGSHOREMEN'S & WAREHOUSEMEN'S UNION

Mr. ZAGRI. Mr. Chairman, I am Sidney Zagri and I am accompanied by Mr. Jeff Kibre of the International Longshoremen's & Warehousemen's Union.

For the record I would like to identify myself as Sidney Zagri, legislative counsel of the Teamsters.

We are one of four unions having an interest in the sugar industry from the standpoint of the workers.

We represent many of the workers in the processing plants in the West, and Mr. Kibre's union represents primarily the workers in the field and in the processing plants of Hawaii. The Packing House Workers who accompanied us in our appearance before the House committee, but could not get here today from Chicago because of the very short notice given this hearing, represent workers in Louisiana, Florida, and Puerto Rico, and the Wine & Distillery Workers represent many of the workers in California.

So the four unions are jointly appearing representing the organized employees in the sugar industry.

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In witnessing the hearings held by the House Agriculture Committee, it has become increasingly clear that all segments of the sugar industry are being protected by built-in protections in the act, by an act which essentially for all practical purposes calls for cartelization of the sugar industry. Every segment of the industry—the producer, the processor—has been protected except one, and that is the sugar worker.

While there is protection intended in the act, namely, the provision for a fair and reasonable wage, the actual application of this has been dead lettered. It has failed to provide a fair and reasonable wage based upon some minimum standard as was contemplated by the late President Roosevelt when he recommended to Congress in 1937 that it adopt the fair and reasonable standard. Roosevelt stated, and I quote:

An industry which desires protection afforded by the quota system or a tariff should be expected to guarantee that it will be a good employer. I recommend, therefore, that the prevention of child labor and the payment of wages not less than minimum standards be included among conditions for receiving a Federal payment.

The application of this, however, has not resulted in the establishment of any minimum which could be related to some reasonable criterion.

President Roosevelt had in mind a minimum at that time along the lines developed by the Fair Labor Standards Act, because it was at that time that the Fair Labor Standards Act was enacted in Congress and it referred to the fair and reasonable standard in the Sugar Act and used it synonymously with that of the minimum wage promulgated by Congress for interstate commerce.

We find in examining application of the existing provision that the Department of Agriculture in 1962 promulgated rates of $1.46 an hour in Hawaii, 90 cents an hour in Florida, 60 cents an hour in Louisiana, 50 cents an hour in the Virgin Islands, and 36 cents an hour in Puerto Rico.

On what conceivable basis could the Department have promulgated rates that are at such variance and show such tremendous differentials?

If they took the cost of living, for example, the cost-of-living index published by the Department of Labor indicates about a three- or four-point differential, say, between cities of the South, East, West, and North; certainly not the variance between the 60 cents an hour in Louisiana and $1.46 in Hawaii.

I have heard some remarks made that labor costs are going up in this industry. I would like to refer to the table published by the Department of Agriculture which appears on page 4 of my statement, which indicates that from 1947 to 1960 labor costs have been reduced in Louisiana by 25 percent, in Florida by 37 percent, and in the beet area by 18 percent, with an increase of 2 percent in Puerto Rico and 11 percent in Hawaii.

Now, we also find that during this period, because of automation, the number of man-hours required to produce a ton of sugar was 48 in Louisiana in 1960 as compared to 118 in 1947; 22 in Florida as compared with 48 man-hours 10 years earlier; 17 in Hawaii as compared with 30; 89 in Puerto Rico; and 23 in the beet area.

Now, this results, of course, in a reduction in labor costs per ton of sugar.

The reduction in labor costs was quite drastic in almost all of these areas. Now, on what basis can the sugar industry or the Government, the Department of Agriculture, justify the type of built-in protections and guarantees that everybody now wants to get—to fill the void that is being created by the Cuban crisis—without similar or comparable guarantee for at least a minimum standard for the sugar worker?

Now, the amendment that was introduced on the House side by Congressman Inouye, of Hawaii, H.R. 11706—and a companion bill, I understand, will be introduced by Senator Eugene McCarthy of Minnesota today—has for its objective a very simple one: to fill the void that exists today due to lack of any criteria for the establishment of a fair and reasonable wage by simply requiring that the minimum wage under the Fair Labor Standards Act shall apply to sugar field workers.

This is not an amendment which is substantive because the substantive precedent is here as enacted in the Sugar Act of 1937 when Congress followed President Roosevelt's recommendation in establishing—in requiring the Secretary of Agriculture to establish a fair and reasonable wage.

This amendment simply establishes a criterion——

Senator BENNETT. Does it apply to beet workers and not cane workers?

Mr. ZAGRI. This is for everybody. The beet workers, incidentally, are very close to this minimum today. So that what in effect this amendment would accomplish would be to raise the minimum for the cane workers in Louisiana, Florida, Puerto Rico, and the Virgin Islands.

The cane workers in Hawaii are up to a minimum of $1.46 today, which is the lowest scale in the union contract.

Now, the impact this amendment would have even on the producers in Louisiana, in Florida, and Puerto Rico and the Virgin Islands, would not be one that would hurt anyone for the simple reason that the amendment is a flexible one.

Any producer proving any hardship would receive a period of time in which they could bring up the productivity of their farms to the level of efficiency of the beet sugar producers and the Hawaiian producers.

The amendment also contemplates that there should be some payments to the industry during this interim period. In other words, whatever the difference is between the present wage and the minimum could be compensated for in terms of subsidy for a limited period of time.

If we, this Government, can subsidize foreign producers under this act and subsidize the entire industry at home, it certainly is not asking too much for us to subsidize the poor sugar worker who is working for 50 cents an hour—which is certainly not a fair and reasonable wage in 1962—for a period, a limited period, until such time as his industry will be brought up to the technological efficiency of the industry in the beet area and in the Hawaiian Islands.

That, gentlemen, in substance is our proposal.

The CHAIRMAN. Thank you, sir.

Senator MCCARTHY. Mr. Chairman, I have one question.

You will recall one of the arguments made against global quotas is that this would put the United States in the market to buy sugar which was produced in part by the effort of workers who were underpaid.

Have you made any examination of the allocation of quotas under the House bill which has come over to us to see whether there is any reflection there of concern for exploited labor or whether there is a greater response to allocating quotas to those countries which have reasonably decent wages for the sugar workers.

You have given figures on the wages, the minimum rate in Hawaii and Florida and Louisiana and the Virgin Islands and Puerto Rico.

Do you have any study of the wages which are being paid, let's say, in the Philippines, any one of these countries to which quotas were being assigned to foreign countries?

Mr. ZAGRI. I believe their weekly wage is comparable to that of the daily wage paid in the Hawaiian Islands.

Senator MCCARTHY. In the Philippines.

Mr. ZAGRI. Yes.

Senator MCCARTHY. What about Peru and Brazil and Ecuador, Colombia, do you have that?

Mr. ZAGRI. I don't have the figures. We would be glad to supply available figures to the committee.

(Mr. Zagri was unable to compile the data in time for inclusion in the record. When received it will be made a part of the committee files.)

Senator MCCARTHY. If they are available, I don't know whether they are.

Mr. ZAGRI. I believe in Peru we may have some figures because I think there is some organizational work taking place in Peru at the present time.

Senator MCCARTHY. You suggest in the allocation of quotas in foreign countries that some consideration should be given to the actual wage rates they do pay in the determination of whether or not we will give them a premium payment that we require some adjustment in wage rates where they are unduly low.

Mr. ZAGRI. I agree with that, Senator. In fact, if the Alliance for Progress program of this administration is to have any meaning, it should begin with the workers in these countries. It is in this area that communism or other "isms," which are in opposition to our democratic way of life, will gain their support. So it seems to me in terms of our foreign policy, aside from humane considerations which I consider equally important at least, we should consider the wages being paid in these foreign countries.

Senator MCCARTHY. I thank you.

Mr. ZAGRI. But certainly we shouldn't show this tremendous concern, at least verbally, for the workers in foreign countries and at the same time suggest for the next 5 years we freeze a mechanism which will permit rates of 36 cents and 50 cents and 60 cents an hour, rates which are being promulgated by the Department of Agriculture. This is really in a sense worse than no wage minimum at all, because when the union sits down with the employer to negotiate a contract the employer always says: "Well, the Government says this is all—this is the minimum that should be paid." So in a sense the promul-

gation of figures by the Department is really a tool to help preserve or perpetuate this indefensible wage level.

Senator McCarthy. When we are setting 36 cents an hour in Puerto Rico and saying this is adequate there we can't be too much shocked if in the Philippines they pay 15 or 16 cents an hour.

Mr. Zagri. I would say we are subscribing to the same principle in promulgating such a wage, yes.

Senator McCarthy. Thank you.

The Chairman. Thank you.

Mr. Kibre. Mr. Chairman, may I introduce a statement in the record in behalf of the International Longshoremen & Warehousemen's Union?

The Chairman. Without objection, the statement will be incorporated in the record.

(The statements referred to follow:)

STATEMENT BY SIDNEY ZAGRI, LEGISLATIVE COUNSEL, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN & HELPERS

My name is Sidney Zagri, legislative counsel for the International Brotherhood of Teamsters, Chauffeurs, Warehousemen & Helpers of America. On behalf of General President Hoffa and the general executive board, representing 1,725,000 members, I appreciate this opportunity of appearing in support of H.R. 11706 which would amend section 301(c)(1) of the Sugar Act of 1948.

In witnessing the hearings held by the House Agriculture Committee, it has become increasingly clear that the proposed sugar bill has been given the green light since all vested interests in the sugar industry will be amply protected by this bill, with the exception of one; the sugarworker. Every segment of the sugar industry is provided for with built-in protection, guaranteed profits, guaranteed opportunities for growth; but nothing is provided for the sugarworker.

As Secretary of Agriculture Freeman pointed out on the "Today" show yesterday morning, even Republican critics of the farm bill have reversed their historic position in opposition to a controlled agricultural economy by voting for the Sugar Act, which provides for the cartelization of the sugar industry.

Under these circumstances, it is difficult to understand how they can argue built-in protection for "profits" but no comparable protection for "fair and reasonable" wages.

FAIR AND REASONABLE PROVISION OF THE SUGAR ACT IS A "DEAD LETTER"

The "fair and reasonable" provisions of the Sugar Act create the popular misconception that the sugarworker is presently protected on a fair and reasonable basis which would be at least the equivalent of the minimum wage standards of the Fair Labor Standards Act. Nothing could be further from the truth. The sugarworker today is no better off than the migrant worker and is far worse off than the bracero who is granted a $1 minimum if he crosses the Mexican border into the United States. The sugarworker in the same area is guaranteed a minimum of 50 cents or 60 cents an hour.

In 1962 the U.S. Department of Agriculture promulgated minimum rates of $1.46 an hour in Hawaii, 90 cents an hour in Florida, 60 cents an hour in Louisiana, 50 cents an hour in the Virgin Islands, and 36 cents an hour in Puerto Rico.

An extension of the Sugar Act for 5 years would freeze the mechanism which is responsible for this condition.

H.R. 11706 IS SIMPLY A CLARIFYING AMENDMENT

The concept of minimum wages in the sugar industry was introduced by the late President Franklin D. Roosevelt, in his message to Congress in 1937 in which he stated:

"An industry which desires the protection afforded by the quota system or a tariff *should be expected to guarantee that it will be a good employer.* I recommend, therefore, that the *prevention of child labor and the payment of wages*

not less than minimum standards be included among conditions for receiving a Federal payment."

It is clear from this that President Roosevelt used the terms "fair and reasonable" and "minimum standards," synonomously.

It is, therefore, fair to assume that the intent of Congress at the time that the bill was passed as to have the Secretary of Agriculture promulgate wages that were not less than the wages paid industries under the FLSA. It is true that section 301(c)(1) provides for difference of conditions among various producing areas. This does not, however, mean that the minimum in any area should be less than a minimum wage promulgated by Congress for the country as a whole. It does not follow from this that wages in any area should be below that of the FLSA.

It is clear from the foregoing that the proposal of H.R. 11706 does not establish a precedent, but is simply a clarifying amendment implementing the recommendation of President Franklin D. Roosevelt, imposing a special obligation on the employer in the sugar industry in establishing a minimum wage.

THE APPLICATION OF THE PRINCIPLE EMBODIED IN SECTION 301(C)(1) REQUIRES SUCH A CLARIFYING AMENDMENT

The absence of specific standards defining "fair and reasonable" wages resulted in the establishment of minimums of such diversity among the producing areas as to suggest no common denominator for arriving at such determinations.

NEED FOR A SPECIFIC STANDARD

How can one explain "fair and reasonable" minimum wages of $1.46 in Hawaii, 90 cents in Florida, 60 cents in Louisiana, 50 cents in the Virgin Islands, and 36 cents in Puerto Rico for the same crop year? These are the latest determinations for these areas. Even under the most flexible standards, it is difficult to find justification for the existence of such drastic differentials among the regions mentioned.

If cost of living is the criteria, and a spokesman for the U.S. Department of Agriculture hinted that this was the case, one cannot justify such differentials since the cost-of-living indexes of the U.S. Department of Labor on 0.03 or 0.04 cent differences between cities of the South, North, and West for March of 1962.

If it is on the basis of ability to pay, this goes to the efficiency of the industry and not to the concept of what is fair and reasonable. In any event, where productivity is a factor, the answer is not to work out a minimum wage based upon the prevailing scale, but rather a rate which would encourage technological change, which would increase efficiency and place competition upon the ability to produce as well as the ability to pay.

The reluctance of the Department of Agriculture to reveal specific standards in the making of determinations, or its failure to justify drastic wage differences between regions, is further indication of the need for the establishment of specific legislative criteria as is suggested by the proposed amendment.

PROPOSED AMENDMENT IS FLEXIBLE

The proposed amendment does not require producers who can prove undue hardship to raise the wages to the prescribed minimum immediately. Procedures are established for the purpose of hearing hardship cases.

A portion of the $180 million subsidy made available to foreign producers could be used to subsidize the difference between substandard wages and the FLSA minimum where hardship is established.

The latest figures released by the U.S. Department of Agriculture indicate that as the wage rate for fieldworkers goes up, the number of man-hours for the production of a ton of sugar goes down. The following comparative figures were

released by the U.S. Department of Agriculture in its Sugar Reports No. 115, November 1961:

Farm labor costs and man-hours per ton of sugar, and hourly earnings of fieldworkers

Area	Labor costs per ton sugar [1]			Man-hours per ton sugar			Hourly earnings of fieldworkers [1]		
	1947–49	1960	Change (percent)	1947–49	1960	Change (percent)	1947–49	1960	Change (percent)
Louisiana	$48	$36	−25	118	48	−59	$0.41	$ .74	+80
Florida	38	24	−37	58	22	−62	.66	1.11	+68
Hawaii	27	30	+11	30	17	−43	.93	1.74	+87
Puerto Rico	44	45	+2	134	89	−34	.33	.50	+52
Beet area	33	27	−18	41	23	−44	.82	1.18	+44

[1] Excludes fringe benefits.

The Sugar Reports 115, November 1961, concludes (pp. 30, 31):

"* * * Such gains also have provided more producers with a margin of savings in labor costs to defray, in whole or in part, added costs for nonlabor inputs and amortization of capital outlays for production facilities both of which were essential to the attainment of improved labor productivity * * *."

The establishment of FLSA minimums will act as a further stimulus to accelerating the rate of technological change in the "backward areas."

Government subsidization during the interim period will be only a very small fraction of the subsidies presently granted growers in the stabilization of the sugar industry.

It is difficult to reconcile the producers' support of Government subsidy for the grower and processor and be in opposition to comparable subsidies to sustain a minimum wage essential to the maintenance of a healthy and decent standard of living.

DEPARTMENT OF AGRICULTURE WAGE DETERMINATIONS—OBSTACLE TO COLLECTIVE BARGAINING

A continuance of the present policy of having the U.S. Department of Agriculture place the stamp of governmental approval on the prevailing wage in an area—no matter how low—does more harm than good.

It stands in the way of workers negotiating an improvement over the present substandard wage through collective bargaining. The employer can always shift the responsibility to the Government. If the fair and reasonable wage concept is to be a "dead letter," it is better to have no provision at all.

CONCLUSIONS

1. The dead letter proviso of fair and reasonable wages of the act calls for one or two of the following:

A. Adoption of the proposed amendment establishing FLSA minimums, or

B. Extension of the Sugar Act for only 1 year with provisions for a study by the Department of Agriculture or a congressional committee to establish a factual determination in the following areas:

(1) To determine basis for drastic differences in minimum rates ranging from 36 cents in Puerto Rico to $1.46 in Hawaii.

(2) Examination of Department of Agriculture's wage determinations to determine basis for minimum rates.

(3) Investigation of the ability of the sugar industry to pay FLSA minimum rates to the sugar workers.

(4) The impact of technology on the industry.

The study should be completed with a report back to the 88th Congress not later than March 1, 1963.

STATEMENT OF JEFF KIBRE, INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION

"FAIR AND REASONABLE WAGES" FOR SUGARWORKERS

U.S. policy regarding the sugar industry is undergoing serious reappraisal, principally because Cuban sugar is no longer available for consumption in this country. This is the first such basic reappraisal since the adoption of the quota system in essentially its present form in 1934. While the principal debate concerns readjustments in quotas, this is an opportune time to review the effectiveness of the present sugar control machinery as it affects the basic sugar producers, the fieldworkers on the beet farms and cane plantations.

As was recently pointed out (in a "Special Study on Sugar," a report of the special study group of the U.S. Department of Agriculture for use of the House Committee on Agriculture), "We have developed a thoroughly managed sugar economy." The question we wish to raise is: What has become of the fieldworker? How has he fared in this managed economy? Why is he the forgotten man.

The sugarworker has actually received no benefit whatever from the Sugar Act. Other segments of the industry—the industrial users, the processors, and the growers—have all benefited from the stable and assured prices guaranteed by the act.

The workers in fact, who produce the sugarcane and the sugarbeets, are actually worse off than they would be without the procedure in the Sugar Act which is supposed to assure them "fair and reasonable wages." As our statement demonstrates, the "fair and reasonable" wage for sugar workers is set by the Department of Agriculture at whatever is the rate prevailing in the area. Thus the Government's stamp of approval is put on each substandard wages as 95 cents in the beet areas, 60 cents in Louisiana, and even less in Puerto Rico. Every attempt by the workers to raise their wages is met by the argument that the wages they are getting are considered "fair and reasonable" by the Government.

These so-called "fair and reasonable" wages are below the minimum of $1 per hour set by the Department of Labor for Mexican nationals who work in the lettuce fields of California and Arizona. Thus a domestic worker doing certain types of manual labor in the beetfields is guaranteed a minimum below that guaranteed to a Mexican national working in the lettuce fields.

What is more, Congress has provided a national minimum of $1.15 per hour under the Fair Labor Standards Act, a minimum scheduled to go up to $1.25 in September 1963. It is our position, which we urge upon this committee, that the Sugar Act be amended to provide the same minimum wage for sugarworkers in all areas as that provided in the Fair Labor Standards Act. The "fair and reasonable" wages as established under the Sugar Act are unfair and inequitable.

When the Sugar Act was adopted in 1937, President Roosevelt said that in view of the protection afforded by the quota system the industry "should be expected to * * * be a good employer." We submit that no one who looks at the facts can conclude that the industry has lived up to Roosevelt's injunction, or that the Department of Agriculture has satisfactorily discharged its obligation to compel the industry to do so.

Sugar—A protected industry

The U.S. sugar industry has been heavily protected for many years, first by tariffs and, since 1934, by means of a quota system that guarantees domestic producers a market at a price substantially higher than the world market price. Senators Paul H. Douglas and J. W. Fulbright have recently estimated the extent of the subsidy at $10 to $20 billion since 1934 (S. Rept. No. 125, 87th Cong., 1st sess. p. 10).

When the Roosevelt administration adopted the Jones-Costigan Act in 1934, the price of raw sugar was 1 cent a pound. The industry was in a bad way. The act was designed to raise and stabilize prices without harming consumers, to effect a shift of income from processors (who weren't doing so badly) to growers (who were doing miserably) and, in so doing, to insure that the farmworkers shared in the benefits.

Since 1934 the Sugar Act has often been amended, but its basic purposes and procedures remain unchanged. After 27 years' experience it is clear that the act has been successful in meeting all of its major objectives—with one glaring

exception: the farmworkers, the base of the whole pyramid, have derived no benefit. Sugar fieldworkers in Hawaii are an exception—they are far better off than they were, but the improvement in their income and living standards cannot be credited to the sugar legislation; it is the result of union organization.

However, since 1934 the economic picture has radically changed. The need then was to raise sugar prices and to redistribute the industry's income as between processors and growers and, indirectly, the fieldworkers. Now, during the prosperous postwar years, the operation of the act has resulted in an unanticipated profit bonanza for the big industrial users who swallow two-thirds of the industry's product. The principal beneficiaries of the act have been Coca Cola, Hershey, Wrigley, and other industrial users, including the fruit canners. The resulting phenomenal profits for some of these companies are shown later.

Now is the time for a thorough reconsideration of the whole purpose of the Sugar Act. The country cannot sit idly by and see millions of dollars pouring into the coffers of the industrial users and the U.S. Treasury at the same time that the fieldworkers are getting no benefits whatever. This was not the purpose of the act originally; it should not be suffered to be the result of the act today.

"Sugar industry should be a good employer"—Roosevelt

President Franklin D. Roosevelt, in his message to Congress recommending passage of sugar legislation in 1937, said:

"It is highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle that an industry which desires the protection afforded by the quota system, or a tariff, should be expected to *guarantee that it will be a good employer.* I recommend, therefore, that the prevention of child labor, and the payment of *wages of not less than minimum* standards, be included among the conditions for receiving a Federal payment." [Our emphasis.]

Our complaint is not that the industry is protected. We recognize that the long-run stability of the industry depends on the maintenance of a domestic price which is higher than the world price. Our complaint is that an industry which enjoys such protection has not been compelled to pay a decent minimum wage to the workers who produce the sugar.

"Fair and reasonable" wages

The 1937 Sugar Act and all subsequent versions have carried the provision that the Secretary of Agriculture, after appropriate hearings, shall establish "fair and reasonable" wages for sugar workers. But the act failed to specify clearly the standards to be applied in setting the rates. It simply said that the Secretary "shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among various producing areas" (sec. 301(c)(1)).

In practice, the "fair and reasonable" wages as set by the Secretary have been no higher and no lower than those prevailing in the particular area in question. In Hawaii, where wage rates have been established by collective bargaining since 1945, the Secretary has determined that the union rates are "fair and reasonable." Elsewhere, according to spokesmen for the Department, the standards have taken into account trends in living costs, "differences in the economic position of producers and workers in the several producing areas" and "ability to pay," i.e., "the economic position of producers in relation to available market returns." ("Wage Determinations Under the Sugar Acts," by Ward S. Stevenson and Linewood K. Bailey, Sugar Division, Department of Agriculture, published in Sugar Reports, December 1954).

Consideration of trends in living costs has been limited to trends in the prices of food and clothing, "inasmuch as those two items represent the major expenditures by sugarbeet and sugarcane fieldworkers" (op. cit.). Nothing could be more revealing. The living standards of the fieldworkers are so low, price trends for other customary items of goods and services are disregarded.

In the public hearings, which are provided for in the law as a protection to all parties, the Secretary almost always has only such information as the growers provide. The resultant wage determinations follow what is the prevailing wage in the area in question.

How else can one explain a "fair and reasonable" minimum wage of $1.46 in Hawaii (the union rate for labor grade I, effective Feb. 1, 1962) and a wage of 60 cents in Louisiana for the same crop year? These are the latest determinations for these areas. It is obvious that the alleged "standards" used by the

Secretary of Agriculture are extraordinarily flexible. "Fair and reasonable" does not mean what is fair and reasonable to the workers. No genuine concept a fair minimum wage should justify any such differentials as this. Congress itself, in setting the FLSA minimum, has recognized that a minimum wage should be national and not regional.

The consequence of the procedure followed by the Secretary of Agriculture, is that the Government has been lending its support to the maintenance of substandard wages. The main beneficiaries, however, have not been the growers, because they too are squeezed, but the big industrial users who are the real group in the driver's seat.

Sugar wages increasingly lagging

A look at the attached chart confirms the conclusion that the Sugar Act provision for "fair and reasonable" wages has done nothing to bring earnings of sugar fieldworkers up to a truly fair and reasonable level. The chart shows the movement of sugar workers' earnings for the period 1946–60 compared to the earnings of industrial workers. Two conclusions are immediately obvious.

1. Earnings of field sugar workers are far below the earnings of industrial workers and have been falling further and further behind. Earnings in beet areas, which averaged about two-thirds of earnings in manufacturing in 1946, are now only a little more than one-half the earnings of manufacturing workers.

2. In Hawaii, average earnings—though still substantially below the level of industrial earnings—have pretty much kept pace with the trend of industrial wages over the period 1946–60.

A dead letter

The only possible conclusion is that section 301(c)(1) of the Sugar Act is a dead letter so far as providing a real minimum wage is concerned. It affords sugar workers no protection whatsoever. To this extent, the purpose of the original enactments has not been fulfilled. Processors are paying their excise tax, growers are getting payments, but the wages and conditions of the workers would be no worse if the Sugar Act was repealed. Though the industry is protected, the workers are not. The industry is far from being a "good employer," to refer again to President Roosevelt's message.

"Fair and reasonable" wages are below other Government-set minimum standards

The Fair Labor Standards Act, as recently amended, provides for a minimum wage of $1.15 for covered workers throughout the United States, with special exceptions only for Puerto Rico. The minimum is scheduled to go up to $1.25 on September 3, 1963, only 18 months from now. The minimum established in the FLSA is the only dollars and cents standard for wages which Congress itself has established. How can the Secretary of Agriculture justify lesser minimums—and minimums varying even within the continental United States—in the face of such congressional enactment?

But it is not only the FLSA minimum which is higher than the Department of Agriculture's "fair and reasonable" wages. The Secretary of Labor, acting under the authority of Public Law 78, has set minimum rates for Mexican nationals who come into this country to work in the lettuce fields of California and Arizona. The rate is 24 cents per carton or $1 per hour at the discretion of the worker. The piece rate, according to a recent survey (January 1962) by the Labor Department, produced average earnings of $1.36. These rates are currently in effect and of course they have to be offered to domestic workers as well as to Mexican nationals.

A domestic worker, therefore, may work 1 month in the Imperial Valley at a rate which pays him $1.36 an hour, with a definite guarantee of $1, but the next month, if he moves up into a beet area, the only guarantee he's entitled to is 95 cents an hour, under the Department of Agriculture determination for 1962.

Or take the case of a sugar worker in Louisiana whose "fair and reasonable" wage may be as low as 60 cents. He could cross the border into Mexico, pick up a little Spanish and come back into the United States, posing as a bracero, to work in the Imperial Valley lettuce fields. Here he is guaranteed no less than $1 an hour. It is hard to understand how Congress can justify such discrepancies among the wage determinations by different Government agencies. If an elected official of any union tried to justify anything comparable he would be laughed out of office.

Sugar workers as migrants.—Many sugar workers are migrants. As such, they suffer the many disabilities of migrants, disabilities which are well known, but long tolerated. Attached to this document are several statements dealing with the problems of migrant farmworkers.

Sugar workers are not guaranteed collective bargaining rights

Sugar workers are excluded from coverage under Federal law which guarantees industrial workers the right to bargain collectively through representatives of their own choosing. The law does not forbid collective bargaining, but the growers are under no legislative compulsion to agree to bargain. Thus an industry which enjoys the protection of the Federal Government is under no obligation to bargain collectively.

This situation derives both from the great political influence of farmers and from the organizational weakness of the workers. The situation is thus to some degree circular: the workers cannot readily organize because they are not organized. Obviously, one step toward a solution lies in the adoption of amendments to Federal labor laws to cover the sugar workers.

Who are the beneficiaries?

If the workers have not benefited from the generous subsidy enjoyed by the domestic sugar industry, who has? The answer is: All other segments have benefited, the big industrial users most of all.

The industrial users have grown rapidly in importance since the passage of the first quota legislation in 1934. At that time they consumed about one-third of all the sugar used in this country; now they consume about two-thirds. The ordinary domestic consumer has increasingly purchased his sugar in the form of bakery goods, confectionery, canned fruits, carbonated beverages, chewing gum, and other processed items. For the industrial user, the Sugar Act has guaranteed a profit bonanza. The following figures (from Moody's Industrials) are profits after taxes as a percent of net worth for the companies listed for the period 1948 through 1960:

[In percent]

Company	Range 1948–60	
	Low year	High year
Coca Cola	14.3	24.3
Pepsi Cola	7.1	24.2
Wm. Wrigley, Jr	13.0	21.0
National Biscuit	10.7	15.3
Hershey Chocolate	10.3	30.0

That section of the Sugar Act (sec. 201) which establishes the criteria to be used by the Secretary of Agriculture in determining the overall quota of sugar for consumption purposes, provides that the "determination shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry * * *."

The above profit figures demonstrate that the Secretary has certainly protected the welfare of these large sugar users, who, together with similar industrial concerns, consume two-thirds of the entire sugar supply. Obviously the price of sugar has not been excessive.

Profits of sugar producers and processors have been adequate and assured. They have been benefited from an assured market and a stable price. Now under the circumstances of expanding domestic quotas, their outlook for the future is even better.

Growers have received many millions in sugar payments

The Sugar Act entitles the beet and cane growers to certain payments in return for their observing the quota requirements and the child labor and wage payment provisions of section 301. The payment varies from 80 cents per hundred pounds of raw sugar on farms producing a small tonnage to 30 cents per hundred on farms producing a large tonnage.

The big Hawaii plantations receive payments at the minimum rate, while the small beet farms and small cane growers in Louisiana receive the maximum. This results in a highly anomalous situation; the area which pays the highest rate of wages receives the lowest rate of sugar payments, while the areas which pay the lowest wages receive the highest sugar payments. Many growers who

pay less than $1.15 per hour nevertheless are receiving payments from the Federal Treasury. We think that if the industry is to be subsidized, the subsidy should vary directly with the level of wages paid—the higher the wage, the higher the sugar payments.

Over the years during which such payments have been made (1934–60) they have aggregated $1,341 million. (Source: For 1951–59, Agricultural Statistics 1960, pp. 546 and 547; for 1934–50, House Hearings on Extension of Sugar Act, Committee on Agriculture, Serial J. p. 81. The figures for the years 1934–50 include Sugar Division administrative expenses.) This enormous sum has been paid to the industry out of the Federal treasury at the same time that the industry has been paying the miserable wages described above.

Hawaii the exception

As is clear from the chart, average earnings of Hawaii sugar workers have risen much more sharply than those of mainland sugar workers. The reason is simple: The Hawaii sugar industry has been compelled by the pressure of a labor organization, the ILWU, to mechanize, modernize, and rationalize its operations to such an extent that it can afford to pay a wage substantially above that paid in the other areas.

Before the ILWU became the recognized bargaining agent for the Hawaii sugar workers, the lowest category field worker was receiving 19 cents an hour, plus housing and certain other perquisites. The situation on the sugar plantations was truly colonial. Now the base rate for labor grade I is $1.46. The weighted average of hourly earnings of Hawaii sugar workers, according to the Department of Agriculture, has risen from 73 cents in 1946 to $1.74 in 1960.

If we include the value of fringe benefits—medical care, pensions, paid vacations, paid holidays, sick leave, and severance pay—benefits which the vast majority of sugar workers elsewhere do not have, the total in Hawaii is now $2.30. These benefits are all provided by union contract.

The Hawaii workers also enjoy legislative protections unheard of elsewhere. A little Wagner Act assures them collective bargaining rights. Passed shortly after World War II, this legislation was an important aid in securing bargaining rights for these workers. Elections were held on each plantation as an orderly means of obtaining recognition and bargaining rights.

Hawaii's unemployment insurance law has been amended to include agricultural workers. No other State law covers them. They are covered, also, under the Hawaii workmen's compensation law.

The Hawaii wage and hour law applies to agricultural workers, though the provisions under the ILWU sugar contracts are sufficiently better so that the overtime and minimum wage requirements are not, in fact, effective so far as ILWU workers go.

Source of higher wages

It is easily demonstrated that means can readily be found to guarantee sugar workers the $1.15 per hour minimum to which, in all justice, they are entitled.

To raise wages to this level, we estimate, would cost only about $30 million per year. This estimate is based on Department of Agriculture figures on manhours worked and assumes that all fieldworkers are entitled to the present FLSA minimum of $1.15 per hour.[1]

The first source for raising sugar wages to at least $1.15 per hour—a source which is immediately available and which in itself is almost sufficient for the purpose—is the profit which the U.S. Treasury derives from the operations of the Sugar Act. Receipts from the excise tax levied on the processors exceed sugar payments to the growers by some $25 million a year. This excess should be made available to bring sugar workers wages up to the FLSA minimum.

A second possible source is the quota premium (the difference between the domestic price and the world price). We estimate that in 1960 foreign producers alone received a benefit from the quota premium amounting to $180 million. This figure may be somewhat different in the future because the world price may be affected if there is no longer a guaranteed market for a part of the product in this country. But in any event, it is clear that only a small portion of this amount is needed to bring sugar workers up to the present FLSA minimum.

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[1] In the case of Puerto Rico there is no single FLSA minimum. Instead, there are a number of determinations for different industries, ranging down from $1.15 in a few to 50 cents in others. In making the above estimates we used an arbitrary figure of 75 cents as approximately the average FLSA minimum for Puerto Rico.

The suggestion here is that the sugar from other countries be bought at the world price and sold to processors here at the domestic price. The difference would go into the U.S. Treasury. Such an arrangement has been proposed by the State Department. What we are adding, is the proposal that some of this money be set aside as a fund to raise the wages of sugar workers up to the statutory minimum. The amount available from this source—$180 million or thereabouts—is much more than enough to accomplish this purpose. Only a fraction of it is needed.

It is quite obvious that funds are available or could readily be found, within the operations of the Sugar Act, to assure all sugarfield workers a truly "fair and reasonable" wage. We believe that with some imagination in redrafting the wage provisions of the Sugar Act, the necessary increase could be paid without hurting the growers in the least.

Franklin Roosevelt enunciated the basic policy: that an industry which receives Federal protection should pay an American wage. The time is long since overdue to apply this principle to the sugar industry. The argument might be made that an increase in the minimum wage standards for sugar workers could result in an increase in the price of sugar. This obviously would not be the case if the recommendations proposed by our union were followed, namely, to provide assistance to those farmers having difficulty meeting the FLSA minimum by allowing them additional compliance payments coming from the profit made by the U.S. Treasury or from the quota premium. If some price increase did occur, it could easily be absorbed by the industrial users as shown by the profit figures above; consequently, it would not mean an increase to the vast bulk of the consumers.

We feel strongly that the primary purpose of the wage determination section of the Sugar Act must be to bring the wages of the sugar workers into line with the Fair Labor Standards Act and that the impact on other aspects of the industry such as compliance payments or price are secondary. We see no way to justify continuation of an act whereby growers, processors, industrial users, or for that matter the U.S. Treasury are well provided for while the workers in the field remains the forgotten man.

What we propose

The Sugar Act should be amended to provide—

1. That "fair and reasonable wages" be defined as the minimum wage (currently $1.15) provided by the Fair Labor Standards Act.

2. That the Department be empowered to make additional payments to growers to enable them to raise the wages of fieldworkers to the FLSA minimum within a fixed period of time, such determinations to be made after public hearings. In the areas where wages are lowest, the time period might need to be longer than in areas where wages already come close to the minimum, but in no instance should the time period exceed 3 years. Such additional payments would be conditional upon a grower's meeting the rising schedule of wage minimums.

3. That any excess of the proceeds of the excise tax overpayments to farmers be utilized to assist growers in bringing wages up to FLSA minimum.

4. That purchases of raw sugar from foreign countries be at the world price and that a part of the difference between the purchase price and the domestic price at which the sugar is sold to U.S. processors be available for the purpose of making the additional payments to the growers to enable them to pay the FLSA minimum.

5. That any grower who pays the FLSA minimum to his fieldworkers be entitled to the maximum compliance payment of 80 cents per hundred pounds of raw sugar, irrespective of the volume of his sugar production.

6. That sugar compliance payments be made conditional upon a willingness on the part of the grower to recognize a bona fide union as the collective bargaining agent of the fieldworkers whenever it represents a majority of the work force.

7. That the Secretary of Agriculture be required to make an annual report to the appropriate committee of Congress showing how the fieldworkers have fared with respect to wages and conditions.

Appendix I. Sugar Workers as Migrants

SUGAR WORKERS AS MIGRANTS—"THE MOST ISOLATED AND FORGOTTEN PEOPLE IN AMERICA"

The bulk of the workers who do the hand labor in beet and cane are migrants so that the well-known facts about migrant agricultural workers may be cited as applying to these sugar workers.

A Senate report in 1960 concludes:

"We found, in short, that the migrant workers are truly the most isolated and forgotten people in America. Despite their obvious and valuable contribution to our society, they share few of its fruits and seldom find themselves with the same rights and opportunities as other citizens."—"Report on Study of Migratory Labor," by Mr. Hayden to accompany Senate Resolution 267 (86th Cong., 2d sess., Calendar No. 1118, Report No. 1088, pp. 3–4).

Another Senate report, also dated 1960, was quoted by Secretary of Labor Arthur A. Goldberg in testimony before the Subcommittee on Labor of the House Committee on Education and Labor (May 9, 1961). According to this Senate report:

"The [agricultural] migrant and his family are lonely wanderers on the face of our land. They are living testimonials to the poverty and neglect that is possible even in our healthy and dynamic democracy that prides itself on its protection and concern for the individual. Behind the screen of statistics, showing migrant laborers toiling for as little as 50 cents an hour, and working only 131 days a year, we see families crowded into shelters that are more like coops for animals, with children undernourished and in poor health, 2 or 3 years behind in school, with little chance to fully develop their talents and become useful to themselves and their country. This is the ugliest kind of human waste. The plight of the migrant families is a charge on the conscience of all of us" (Senate Select Subcommittee on Labor of the House Committee on Education and Labor, Report 1960).

MIGRANT SUGARWORKERS HAVE LITTLE LEGISLATIVE PROTECTION

Secretary Goldberg, testifying last May with regard to migratory workers, summed up the almost complete lack of legislative protection which characterizes the migrant agricultural worker:

"Because they are migrants, the residence requirements of many State laws exclude them from public assistance, health, educational, and other services.

"Agricultural workers have been expressly excluded in most instances from nearly all of the Federal and State social welfare and labor laws which protect other workers.

"Although workmen's compensation legislation was the first type of social insurance to be developed extensively in the country, little progress has been made in extending such benefits to agricultural workers.

"The minimum wage laws of only Hawaii and Puerto Rico specifically apply to agricultural workers and the wages and hours provisions of the Federal Fair Labor Standards Act do not cover agriculture.

"Of the State unemployment insurance laws, only that of Hawaii provides coverage for farmworkers.

"Only the old-age survivors and disability insurance law and the child labor provisions of the Fair Labor Standards Act cover farmwork—the insurance law only if the worker earns enough to qualify, and the child labor provisions only if the child is employed during school hours."—Testimony of Secretary of Labor Arthur H. Goldberg in "Hearings on Migratory Labor," House Committee on Education and Labor. Eighty-seventh Congress, first session, May 9, 1961, page 4.

The CHAIRMAN. The next witness is Alfred L. Scanlan, of the Barad-Schaff Sales Co.

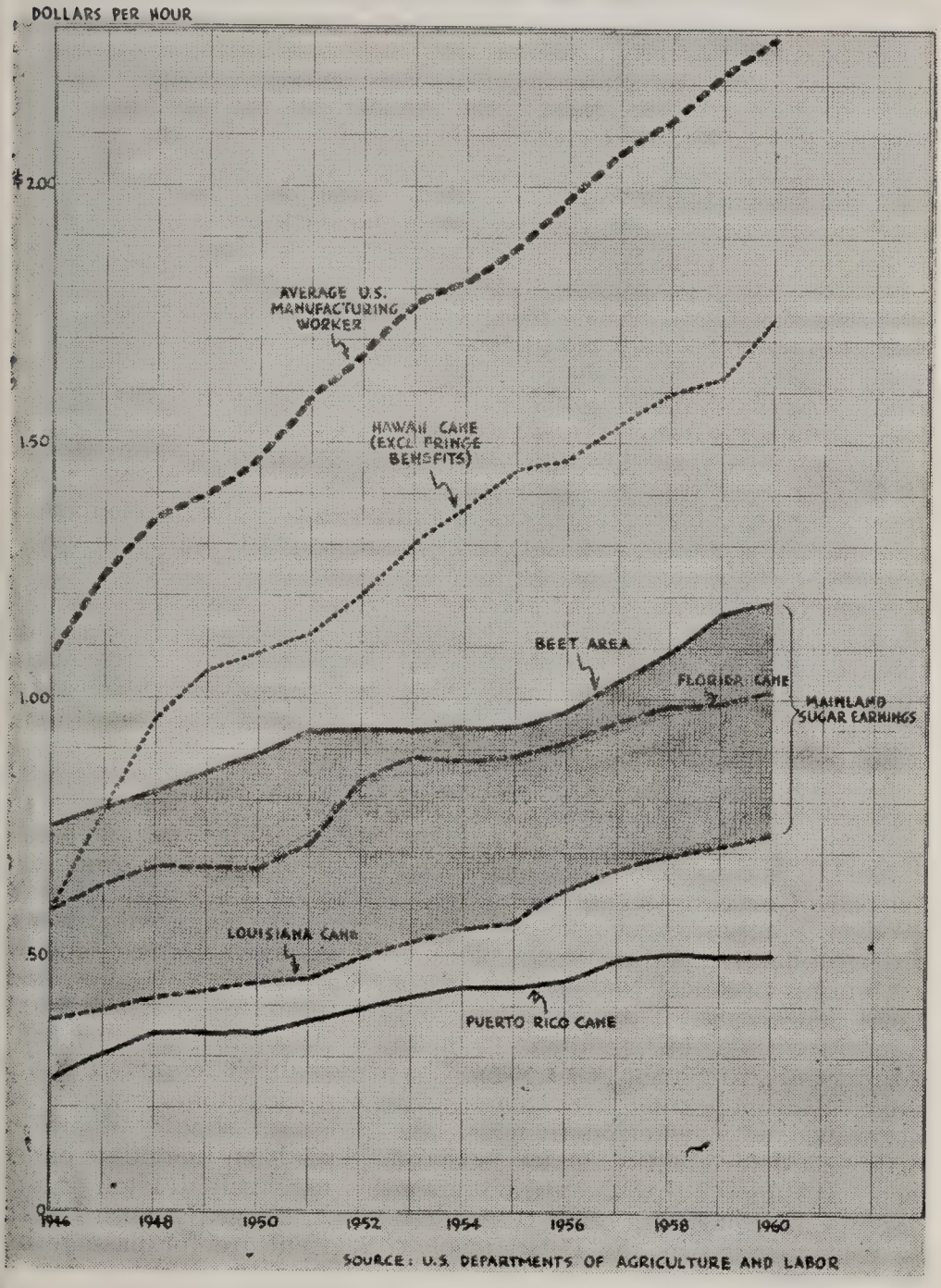
Please proceed, Mr. Scanlan.

STATEMENT OF ALFRED L. SCANLAN, BARAD-SCHAFF SALES CO., WASHINGTON, D.C.

Mr. SCANLAN. My name is Alfred L. Scanlan. I am an attorney, with offices at 734 15th Street NW., Washington, D.C. I submit this statement in behalf of the Barad-Schaff Sales Co., an importer of agricultural, dairy, and other products, whose principal office is located in New York City. We oppose the enactment of proposed section 5 of H.R. 12154, the sugar bill which has passed the House of Representatives and is now before the committee.

CHART

AVERAGE EARNINGS OF FIELD WORKERS IN DOMESTIC SUGAR-PRODUCING AREAS, COMPARED TO AVERAGE EARNINGS OF MANUFACTURING WORKERS, U.S., 1946-1960



Section 5 is a provision which, for the first time, would apply Sugar Act quotas to all products containing sugar, including processed food products, as well as industrial products. If the Department of Agriculture were seriously to undertake, on a product-by-product basis, the duties which section 5 would vest in it, it would be forced to review the importation into the United States of almost all processed food products, as well as a great number of industrial products. Obviously, should the section become law, the possibilities of the tail of sugar policy wagging the dog of U.S. international trade policy would be very real.

If such new and sweeping authority is to be vested in the Secretary of Agriculture and his agents in the Department, the least that seems required is a substantial and detailed justification for the need for this new administrative authority. None has been shown. The Secretary did not attempt to explain, much less to justify, section 5 in his letter of transmittal to the House Committee on Agriculture. Again, in his testimony before the House committee, the Secretary omitted any discussion of the alleged necessity for section 5 and the purported purposes at which it is directed. The House committee report itself contains no more than a compressed summary of the text of section 5, but no statement of justification or need. Therefore, if there be a real need for section 5, it certainly has not been demonstrated in the legislative history up to now. We suspect that there is none.

Perhaps it is argued that the section is needed to keep out sugar-containing products, the sugar content of which is its primary component, and which might be commercially recoverable after importation into this country, and thus be brought into the country in violation of the quota restrictions and the basic purposes of the Sugar Act, as amended. The answer to that contention, and we assume that the committee may be aware of it, although the Department of Agriculture has not emphasized the point is that the Secretary of Agriculture already has authority to deal with subterfuge sugar importations as a result of the careful definition of liquid sugar found in section 101(f) of the present Sugar Act. (7 U.S.C. 1101(f).)

Assuming, however, for purposes of argument only, that additional authority is needed to prevent the importation of substitute sugar in the form of sugar-containing products, such an objective is not calculated to be carried out by the language of section 5 as now proposed. Instead of making the determination of whether a sugar-containing product is imported for purposes of evading sugar quota restrictions, a discriminatory and irrelevant distinction is drawn between sugar-containing products that have a history of prior importation, and those that do not. Thus, a product containing 90 percent sugar could come in without being subject to quota, while another product containing only 10 percent sugar would be made subject to quota restrictions. Strangely enough, the sugar content of the product is not even mentioned as a criterion to which the Secretary should adhere in making a determination under section 5. This is an incredible omission. It suggests that the section was either carelessly drafted or else designed for purposes other than those which allegedly caused it to be recommended by the Department of Agriculture for passage by the Congress.

Finally, under section 5, the Secretary of Agriculture would be both accuser and judge in his own case, a role never permitted him under section 22 of the Agricultural Adjustment Act which covers a vast range of agricultural products. We see no reason why the rule should be changed in the cause of sugar-containing products. At the minimum, the formal hearing requirements of the Administrative Procedure Act should apply so as to guarantee persons who might be affected by adverse determinations of the Secretary of Agriculture, the minimum essentials of administrative due process.

I appreciate this opportunity to present our statement to the committee. While we oppose the enactment of section 5, we realize that chances for its defeat at this late stage may not be too bright. However, we do strongly urge that certain changes in the language of section 5 be made. We urge these changes, not only in the interest of protecting against possible arbitarary exercise of unstandardized administrative power, but also from the point of view of effectively carrying out what is alleged to be the true object of the bill, that is, the prevention of the importation of substitutes for quota sugar. To that end, we have drafted certain proposed amendments to section 5. I submit these now as part of my statement, along with a memorandum which attempts to explain the reasons for the changes suggested in the draft which we have filed with the committee.

Thank you.

(The following was supplied:)

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar, or liquid sugar, in any product or mixture, *whose chief component in value, either quantitatively or qualitatively is commercially recoverable sugar*, which the Secretary determines, is the same, or essentially the same, in composition and use as a sugar containing product or mixture which was imported into the United States during any three or more of the [5] *six* years prior to [1960] *July 1, 1962*, without being subject to a quota under this Act, shall not be subject to the quota and other provisions under this Act, unless the Secretary determines, *pursuant to notice and opportunity for hearing as provided herein*, that the actual or prospective importation or bringing in to the United States or Puerto Rico of such sugar containing product or mixture will substantially interfere with the attainment of the objectives of this Act, provided that the sugar and liquid sugar in any other product or mixture, *whose chief component in value, either quantitatively or qualitatively, is commercially recoverable sugar*, imported or brought into the United States or Puerto Rico, shall be subject to the quota and other provisions of this Act, unless the Secretary determines, *after notice and opportunity for hearing as provided herein*, that the actual or prospective importation or bringing in of the sugar containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar containing product or mixture, *as defined in this section*, will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the *possibility that such importation or bringing in constitutes an evasion or circumvention of the quota limitations with respect to sugar, raw sugar, direct consumption sugar, and liquid sugar, as defined in this Act;* the total sugar content of the product or mixture in relation to other ingredients and to the sugar content of other products or mixtures for similar use; the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico; the present or prospective volume of [past] importations *prior to July 1, 1962;* and other pertinent information which will assist him in making such determinations. Determinations by the Secretary that do not subject sugar or liquid sugar in any product or mixture to a quota may be made pursuant to this section, without regard to the rule making requirements of Section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons, and serving the same upon

them by mail. If the Secretary has reason to believe that it is likely that the sugar, *raw sugar, direct consumption sugar*, or liquid sugar, in any product or mixture will be made subject to a quota, pursuant to the provisions of this Section, he shall make any such determination [provided for in this section] *with respect to such product or mixture after notice and opportunity for hearing have been afforded the person or persons to be affected by such determination, and on the basis of substantial evidence in the record considered as a whole, and in conformity with the hearing and* rule making requirements of Sections 4, 7 *and* 8 of the Administrative Procedure Act, as amended."

MEMORANDUM EXPLAINING SUGGESTED CHANGES IN H.R. 12154

1. In line 18, page 13, and line 2, page 14, of section 206 in the House enacted bill, we urge the addition of the phrase "whose chief component in value, either qualitatively or quantitatively, is commercially recoverable sugar." The Department's alleged concern in seeking the enactment of section 206 is to prevent impairment of the sugar quotas through the importation of sugar containing products that may be substituted for sugar which otherwise would be purchased from domestic producers. It should be noted, however, that in his official letter of transmittal to the House committee, the Secretary of Agriculture attempted neither to explain nor to justify section 206; nor did he attempt to do so in his testimony. Moreover, the House report did not refer to the purpose of the section beyond a bare summarization of its text. Indeed, the only reference to any alleged need for section 206 is found in a supplemental memorandum filed by Mr. Kemp at page 39 of the House hearings. Mr. Kemp claims that the section is necessary in order to prevent the importation "of sugar containing products that may be substituted for sugar" from reaching proportions "which would seriously impair the effective administration of the law." Despite the fact that the need for the section has not been established, and leaving aside the further fact that for the first time, sugar containing products are brought under the Department of Agriculture's jurisdiction, thus invading a wide field of international trade, it would seem at the very minimum that certain or definitive standards should be put into the statute to govern the Secretary's determinations pursuant to the new and broad authority vested in him by section 206.

As the Department has drafted it, and the House has approved it, section 206 will permit the Secretary to exclude a sugar-containing product containing only 10-percent sugar, and yet admit a product containing 98-percent sugar, provided that the latter product had a history of prior importations. The language suggested in the draft section attached to this memorandum would eliminate the possibility of such unfairness occurring in the administration of the law and with such little relation to the alleged purpose for which section 206 was enacted. By requiring that sugar be a chief component in value, either qualitatively or quantitatively, a definite, workable and understandable standard has been substituted for a vague and irrelevant one. Certainly, it could not fairly be argued that a sugar-containing product in which sugar was not the chief component in value either qualitatively or quantitatively nevertheless is a sugar substitute imported in evasion or circumvention of quota restrictions. On the other hand, where sugar is the chief component, the opportunity for evasion may be present, depending on the circumstances, especially on whether or not the sugar ingredients are commercially recoverable as sugar. For this reason, we believe the language suggested in the revised text supplied herewith is designed to preserve the alleged purposes of section 206, however unproven the necessity for the section may be, without placing potentially arbitrary administrative procedure in the hands of the Secretary of Agriculture, or more accurately, in the Sugar Division.

2. For the same reasons as stated in paragraph 1, above, it is suggested that at line 13, page 14, there be added, as a consideration which the Secretary should take into account in determining whether a sugar-containing product should be subject to quota, "the possibility that such importation or bringing in constitutes an evasion or circumvention of the quota limitations with respect to sugar, raw sugar, direct consumption sugar, and liquid sugar, as defined in this Act." The addition of this language as a statutory standard emphasizes the alleged basic purpose of the section and further reduces the possibility that some sugar-containing products might be made subject to quota while others of far greater sugar content might not.

3. The third major change suggested is a requirement for notice and opportunity to be heard in those cases where the Secretary has reason to believe that his determination will result in a sugar-containing product or mixture being made subject to the quota. Elementary procedural fairness would seem to argue against the Secretary being placed in a position of both accuser and judge, as is now proposed in section 206, especially since the statutory standards against which his decisions are to be judged are so vague in content and ambiguous in purpose. Certainly, under section 22 of the Agricultural Adjustment Act, the Department of Agriculture is assigned no such favored and prejudicial role. Under that act the Department may institute a proceeding; it cannot, however, pass judgment on its own case. There is no reason why any different procedure should be applicable to the Secretary's determinations under the Sugar Act as proposed by section 206. At the minimum, therefore, the formal rulemaking requirements of sections 4, 7, and 8 of the Administrative Procedure Act should be invoked, so as to insure that the basis of the Secretary's exclusion of a sugar-containing product in any given case rests on substantial evidence in the record, considered as a whole, and after an opportunity for hearing has been afforded the affected parties.

4. Nor has any sound reason been assigned why section 206 should be given such severe retroactive application. Indeed, we fail to perceive why a history of prior importations is significant in determining whether or not a particular sugar-containing product is being imported for purposes of evading the quota limitations. That is a determination which should rest on whether or not the product is primarily sugar, or contains sugar that is commercially recoverable, and thus able to be used as a substitute for sugar. At the very least, it is suggested that the cutoff year be changed from 1960, as now proposed in the House bill, to July 1, 1962, and that the comparative period of prior years of importation be extended from 3 of every 5 to 3 of every 6 years prior to July 1, 1962.

5. The other changes suggested in 206 are merely language changes which do not affect the substance of the proposed amendment.

6. We believe that if the above-stated changes are made in section 206 as it passed the House, the alleged, but still unproven, reasons assigned for the enactment of the section will be adequately served, yet at the same time the hazard of discriminatory administrative enforcement will be eliminated or reduced. If the Department of Agriculture, for the first time, is to be permitted jurisdiction over products containing sugar, as opposed to raw sugar, direct consumption sugar, or liquid sugar, its authority in this new and broad area should be couched in terms which guard against bureaucratic excesses and discriminatory classifications as among sugar-containing products and, in addition, preserve the minimum essentials of fair administrative procedure for those who may be directly affected by the Department's determinations.

The CHAIRMAN. Thank you, Mr. Scanlan.

The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 12:45 p.m., the committee stood in recess until 10 a.m., Friday, June 22, 1962.)

SUGAR ACT AMENDMENTS OF 1962

FRIDAY, JUNE 22, 1962

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:20 a.m. in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Long, Smathers, Anderson, Douglas, Gore, Talmadge, McCarthy, Fulbright, Williams, Carlson, Bennett, Curtis, and Morton.

Also present: Elizabeth B. Springer, chief clerk; and Serge N. Benson, professional staff member.

The CHAIRMAN. The committee will come to order.

The first witness will be the distinguished Senator from Louisiana, the chairman of the Agriculture Committee, Senator Allen J. Ellender.

Senator Ellender, we are very happy to have you, sir, before the committee.

STATEMENT OF HON. ALLEN J. ELLENDER, U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator ELLENDER. Thank you very much, Mr. Chairman.

I desire to compliment this committee for starting hearings so early and for making an effort to obtain passage of this bill before June 30. It is essential that permanent sugar legislation be enacted prior to June 30.

For the past 3 or 4 years we have been more or less proceeding on temporary legislation in the hope that matters could be settled in Cuba, and that the originial Cuban quota, or some of it, could be reassigned to that unfortunate country.

Mr. Chairman, and gentlemen of the committee, I have no written statement. As all of you know, in behalf of myself and 33 Senators, I introduced in the Senate on May 14, S. 3290. That bill, insofar as the domestic producers are concerned, met with almost unanimous approval by all segments of the domestic sugar industry.

It is my belief that it was erroneous for this bill to permit the 375,000 tons of refined sugars formerly allocated to Cuba to be supplied by other nations.

It strikes me that we ought to confine this bill to importations of raw sugar only, and thereby give the refineries of our country, and the workers in those refineries, more employment.

To my own knowledge, representatives of the industry worked with the Department of Agriculture for at least 6 months in trying to arrive at a reasonable tonnage to be produced domestically, and of course when I say domestically I include Hawaii, the Virgin Islands, and Puerto Rico. In both bills it will be noted that for the domestic beet sugar producers the tonnage allocated is 2,650,000 tons; mainland sugarcane, 895,000 tons; Hawaii, 1,100,000 tons; Puerto Rico, 1,140,000 tons; and the Virgin Islands, 15,000 tons.

That amounts to about 59 percent of the normal consumption, which is estimated to be 9,700,000 tons.

In the past, that is in past legislation, all deficits were allocated to domestic producers. That was rather unsatisfactory because it was hard to say what the deficits would be, let's say, as to Puerto Rico or Hawaii. Instead of reinstating that formula, we have provided in the bill a base, which I have just indicated, and each year 63 percent of the increased amount of sugar consumed because of additional population will be allocated to continental producers. It will mean that each year probably 100,000 tons of sugar will be added to the base.

That is more or less certain. It can be foreseen in the future, because in the past few years the consumption of sugar due to increased population has averaged about 150,000 to 160,000 tons annually.

The bill, as introduced by me, provides a formula for the percentagewise distribution to Cuba and other countries. It will be noted on page 3 of S. 3290 that domestic producers are allocated 5,810,000 tons. On page 4 the Philippine Islands is allocated 952,000 tons. In other portions of the bill other areas are allocated certain amounts which do not exceed 100,000 tons. When all of those allocations are added together and deducted from the 9,700,000 tons that we consume, it will leave about 2,840,000 tons to be distributed among Cuba, the Dominican Republic, and other countries that have been specifically named in S. 3290. What we sought to do in the bill, as I said, was to allocate the above-mentioned 2,840,000 tons as follows: 88.85 percent to Cuba, whenever she reestablishes diplomatic relations with us; Peru, 3.73 percent; the Dominican Republic, 3.31 percent; Mexico, 2.75 percent; and so on. The Cuban quota would amount to about 2,435,000 tons.

Now, the House——

Senator ANDERSON. Where is that in the bill, what section of the bill is that, Senator Ellender?

Senator ELLENDER. Those are figures that I calculated myself, Senator Anderson.

As I stated a moment ago, our estimated consumption is 9,700,000 tons per year.

Senator ANDERSON. I thought you said there was a provision in the bill that carried these things into effect.

Senator ELLENDER. Yes, if you look at page 5.

Senator ANDERSON. Thank you.

Senator ELLENDER. It is carried on a percentagewise basis and what I did was to reduce it tonnagewise, you see, and that is why I used tonnage figures.

At the bottom of page 5 the Senator will notice how the difference between the domestic allocation, plus the Philippine allocation plus a

few other small amounts and our estimated consumption requirements were to be distributed among Cuba, Peru, Dominican Republic, and others.

The chairman of the Agriculture Committee of the House introduced a bill similar in all respects to the one that was introduced by me in the Senate—but the House has changed the bill considerably. Personally I am not in full agreement with the method by which the House of Representatives distributed sugar to foreigners.

As all of us know, all of the sugar that is imported into our country is produced from sugarcane. Sugarcane is not an annual crop. You plant it one year and you may gather from that one planting five or six crops, particularly in foreign countries. Once you allocate to a cane growing country a certain tonnage, why it will expect it for quite some time. The House has allocated all of the tonnage formerly grown by Cuba. Much of it on a permanent basis, which I think is not in keeping with what ought to be done.

It would seem to me that of the sugar allocated to Cuba which aggregates about 2,400,000 tons in round figures. The committee would be justified in allocating, say, around 400,000 tons to some of our friends to the South of us. Then the rest of it should be bought at whatever price the sugar can be purchased for, and resold on our market at the going domestic sugar price. Then the difference between what would be paid by our Government for the sugar abroad and the going rate in the United States. Should find its way into the Treasury.

There is a provision in the Senate bill that I introduced which would give the Government the right to impose an import fee—I would call it a tax, of so much per pound, which would be collected from the purchaser, that is whoever imports the sugar, and let that sum find its way into the Treasury. I do not like that provision.

It strikes me that we should let our present tariff laws operate insofar as the purchase of 2 million tons of the Cuban quota is concerned. That would mean that when we purchased this sugar from whatever country we desired, if that country, would sell the difference between the price that is normally paid to producers in this country, and what it could be purchased for, plus the tariff a difference of 1¾ to 2 cents would be deposited in the Treasury.

It strikes me that the House went far out of its way in determining who should and should not sell to us the Cuban quota.

For instance, here I notice that for the first time Mauritius, a small island that is way beyond Africa, is given under this bill 110,000 tons. Why that should be, I have been unable to find out.

The Fiji Islands have been given quite a large amount. We also have four or five British possessions that will obtain under this formula provided by the House, around 600,000 tons of sugar. Most of this 600,000 tons is produced in the Eastern Hemisphere.

It strikes me if we are to allocate on a permanent basis any amount of the sugar was formerly furnished by Cuba, we should allocate it to countries in the Western Hemisphere. I believe it would be more advantageous, it would be more reliable, it would be more beneficial for us to follow that course.

Mr. Chairman, it is not my purpose to go into any of the technical portions of this bill. There have been certain changes made by the House, which I understand are acceptable to the domestic industry.

The changes are not very significant from what I can understand, and one thing that I would emphasize is that the quota for the domestic producers remain at least at the figure stated in the bill on page 3, that is the Senate bill, which is 5,810,000 tons.

Personally, I wouldn't object to an increase in that amount because while the negotiations were going on, although I was not a party to them, I was kept abreast of what was going on. It is my recollection that the industry asked that at least 65 percent of the amount that is consumed in our country be distributed among our domestic producers, that is both continental and offshore, which would include Puerto Rico, the Virgin Islands, and Hawaii. There was a request made for 67½ percent of the amount of increase in sugar consumption due to increased population.

But as I said, after about 6 or 7 months of discussion between leaders of the industry and the Department of Agriculture, a compromise was reached which is represented by the amount allocated on page 3 of the Senate brief. As I indicated before, it represents about 59.9 percent, instead of the 65 percent, of the 9,700,000 estimated tons we consume.

I am very glad to note that provision has been made in this bill for the establishment of more factories in the domestic beet area. Now, as to where those should be constructed, it is pretty hard for us to put language in legislation that would meet with the approval of all those concerned.

But I believe it is safe to say that there is provision in this bill to construct within the next 4 years four additional factories to produce beet sugar, and each of these factories will have a capacity of a million 100-pound bags. I believe this is a little higher than the average production now in the beet factories scattered over the country where sugarbeets are produced.

I believe that the average production is about 800,000 100-pound bags and as I understand from consultation with engineers, it was figured out that if provision could be made for the allocation of a million 100-pound bags production for 4 years, that that would be sufficient to establish these four factories in various parts of the country where they are necessary.

I am very hopeful, Mr. Chairman, that the committee will be able to improve the language, if that is possible, so that these factories can be constructed, and that beet production be expanded as it should be.

As all of us know, we are overproducing now in corn and wheat and other commodities, and after the defeat of the farm bill in the House yesterday, my fear is that our surpluses will be aggravated a good deal. I would know of no better way to divert acres from grain than to perhaps increase beet production here in our own country.

Senator CARLSON. Mr. Chairman, I wonder if the Senator will yield there on that very point?

The CHAIRMAN. Yes.

Senator CARLSON. I have before me the Report No. 1829 of the Sugar Act amendments of 1962 from the House and I noticed they struck out this language out of the present act which deals with the purchase of sugar or allocation of quotas and I don't like to take time to read this, but it is on page 67, the final sentence says:

*** * * for any country without regard to allocations except that special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing agricultural commodities.**

The House struck that out.

Does the Senator from Louisiana see any reason why that shouldn't be in the present law?

Senator ELLENDER. No, I believe that we ought to have such language. When we buy from other countries they ought to buy from us, we ought to use that as a lever to expand our agricultural sales.

I see no reason why that shouldn't be reinstated.

Senator CARLSON. I appreciate very much the statement of the Senator because he is chairman of the Committee on Agriculture and Forestry and is familiar with these problems.

Senator ELLENDER. Well, that would be an opportunity for us to at least try to induce the people we help to help us in the disposition of our surpluses. That is by actually buying the surpluses and not letting us give them away.

Now, Mr. Chairman——

Senator FULBRIGHT. Will the Senator yield on that?

Senator ELLENDER. Yes, sir.

Senator FULBRIGHT. Would the Senator advocate if we gave them a barter transaction instead of the usual free trade, bartering these things.

Senator ELLENDER. No, I wouldn't advocate that, Senator Fulbright.

Senator FULBRIGHT. Why isn't that barter?

Senator ELLENDER. I am not advocating an exchange of sugar for our surplus commodities. I would offer to buy sugar as an inducement for them to buy from us. A mere suggestion that if we buy their sugar they might buy our wheat, or corn, might be apropos.

Senator FULBRIGHT. Trade our wheat for their sugar?

Senator ELLENDER. Let's put it this way: We will buy your sugar if you will buy our wheat.

Senator FULBRIGHT. The Russians have been successful in this program.

I wonder if that is the trend the Senator is thinking about, engage in barter rather than free trade?

Senator ELLENDER. I don't think it would hurt, Senator Fulbright, to suggest to a country: If you buy some of our products, we will purchase sugar from you.

Senator TALMADGE. Will the Senator yield?

As I recall, the distinguished chairman can correct me if I am in error, in the extension of Public Law 480 we made provision for private trade groups to exchange and deal with the surplus farm commodities other than conditions in normal channels of trade, is that correct?

Senator ELLENDER. Yes, and for cash, that was one addition we had in the bill.

Now, lest there are questions, Mr. Chairman, there are quite a few other witnesses who will cover other points in this bill. I am ready to quit. I repeat, it is my sincere hope that the amount allocated to the domestic producers will not be reduced.

If any changes are made, the amount should be increased. But I am not advocating that because I believe that the amount represents a compromise between the Department of Agriculture, the State Department, and the industry. Personally, I would be satisfied to let

that remain as is, with the further provision that the domestic producers obtain 63 percent of the increased amount of sugar consumed each year because of increased population be distributed among the continental cane and domestic producers. That would give us a fairly steady increase each year of sugar production.

The CHAIRMAN. Any questions?

Thank you very much, Senator.

Senator CURTIS. Mr. Chairman, just one question.

The CHAIRMAN. Yes.

Senator CURTIS. Senator Ellender, I respect your opinion and the many hours and days you have put on this legislation.

Would you have any objection if this bill ran a little longer than stated?

Senator ELLENDER. What?

Senator CURTIS. If the time for the bill to operate was extended.

Senator ELLENDER. More than 5 years?

Senator CURTIS. Well, we have talked about 5 years, but, as I understand it, it is really only 4½, isn't it?

Senator ELLENDER. It is this crop, 1962 through 1966, which would make 5 years.

Senator CURTIS. That is right.

But so far as any extension——

Senator ELLENDER. I would have no objections.

Senator CURTIS. With the—so far as the expansion provisions are concerned they really are going to have only 4 years to operate, isn't that right?

Senator ELLENDER. Yes; you are correct. That is right.

Senator CURTIS. Yes. And yet the testimony has been here we talk about 5 years and one plant a year.

Senator ELLENDER. Well, Senator, no matter if you did extend the bill another year it strikes me the moment this bill becomes law the Secretary could proceed to allocate a certain amount of acres to produce 1,100,000 1-pound bags and they could start constructing the refinery. But it will take from 15 to 18 months, as I understand, to build a factory.

Senator CURTIS. I am not sure I am going to suggest a longer time, but I wanted your opinion.

Senator ELLENDER. Yes. I would not object.

Senator CURTIS. Thank you very much.

The CHAIRMAN. Thank you very much, Senator Ellender.

Senator TALMADGE. Mr. Chairman, I have one question.

If I recall, the distinguished Senator testified with reference to S. 3290 in which he urged its adoption but he also suggested that an addition be made thereto that the importation of sugar in this country be restricted to raw sugar and not the refined sugar.

Senator ELLENDER. The Senator is correct.

Senator TALMADGE. The distinguished Senator from Massachusetts, Mr. Saltonstall, and I have offered an amendment to accomplish that fact and the Senator would recommend the adoption of that amendment?

Senator ELLENDER. I would.

Senator TALMADGE. That is all.

The CHAIRMAN. Thank you, Senator Ellender.

The next witness is the distinguished Senator from North Dakota, Senator Milton R. Young.

We are delighted to have you.

STATEMENT OF HON. MILTON R. YOUNG, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator YOUNG. Mr. Chairman, and members of the committee, I appreciate the opportunity to appear before this committee. I don't believe I will get into trouble around Congress if I say that this committee is probably handling more important legislation this year and works longer and harder than any other committee of the Senate.

I am pleased to note that you have a very high percentage of your members present at the hearing.

Mr. Chairman, I am pleased that the Senate now has before it a bill which would permit a 5-year extension of the Sugar Act rather than the short-term extensions of the past. It certainly is a step in the right direction.

The Sugar Act has been one of the most successful of any of our farm programs. In addition to providing the domestic producers with a fair price of their sugar, it has also assured the consumers of a very stable price, and adequate supply.

I was interested in the table appearing on page 5 of the House report comparing the stability of the sugar prices with the price of cocoa and coffee, two other commodities which we import but which are not controlled by a similar program.

This table, I believe, very graphically indicates the benefit to the consumers from the Sugar Act. This program, in addition, has resulted in considerable revenue to the Federal Government.

More money is collected through excise taxes than is paid out to farmers. In fact, last year this amount was over $21 million. This figure does not include tariff duties which amount to approximately an additional $37.5 million annually.

Mr. Chairman, while I recognize the many divergent views and interests which have to be considered in writing a sugar program, I may say that I am disappointed with the treatment accorded domestic sugar producers under H.R. 11730.

The bill is a step in the right direction, but I believe that more consideration should be given to our domestic growers. At the very least I urge that a larger portion of the Cuban quota be assigned to domestic producers.

Under the House-passed bill, provision is made for new areas of sugarbeet production. This will be most helpful, but the unfortunate part of it is that at least a part of this acreage will have to come from the old beetgrowers, should acreage restrictions be reimposed.

While the bill passed by the House does give domestic producers a larger percentage of the increase in future market growth, I fear this increase will not be sufficient to keep abreast with increases in sugar yields through advances in technology.

As I have mentioned to this committee in years past, the Red River Valley of North Dakota and Minnesota is ideally suited to the production of sugarbeets.

It has sufficient rainfall to produce beets in dryland farming and has the type of soil and level land which facilitates large-scale, mechanized production.

It should also be pointed out that in this area, 1 year prior to planting sugarbeets, the producer must summer-fallow the land on which he proposes to plant beets. This, in effect, means that it requires 2 acres to produce 1 acre of sugarbeets.

An acreage planted to beets, in most cases, therefore, would relieve the production of crops that are in surplus.

Sugarbeet production, in addition, furnishes employment for a sizable number of people in the cultivation, harvest, and refining of beets. Considerable employment is also furnished through the great amount of expensive machinery required for the production of sugarbeets.

In view of the unsettled international situation, I would hope that we could reach a point where we could, to a much greater degree, rely upon our domestic sugar industry to meet our requirements.

This can be done by increasing the allocations given to the domestic sugar industry.

I hope that it will be possible for this committee to approve a much greater allocation for our domestic producers—both cane and beet producers. I believe this would be in the best overall interests of the Nation.

Mr. Chairman, I would like to have included in the record, as part of my statement, a telegram which I received from the board of directors of the Grafton Production Credit Association of Grafton, N. Dak., urging a larger share of sugar production for domestic producers.

(The telegram referred to follows:)

DRAYTON, N. DAK., *June 19, 1962.*

Senator MILTON YOUNG,
Washington, D.C.:

Hope you do everything possible to assure a larger share of sugar production for us farmers. This is one crop not likely to be in surplus production for many years.

The members of the board, Grafton Production Credit, Grafton, N. Dak.: Irvin Schumacher, president, Drayton, N. Dak.; Loren Hiller, vice president, Hensel, N. Dak.; H. O. Lundene, Adams, N. Dak.; Carol Ellingson, Edinburg, N. Dak.; Leo V. Wild, Milton, N. Dak.

The CHAIRMAN. Thank you very much, Senator Young.

Any questions, Senator Douglas?

Senator DOUGLAS. Senator Young, we all hold you in very high esteem both for your personal qualities and your ability and your general devotion to what you conceive to be the general, common interest.

Senator YOUNG. Thank you very much, Senator.

Senator DOUGLAS. I must, however, take exception to certain statements in your third paragraph in which you say that the Sugar Act has been of benefit to the consumers of this Nation.

The evidence which we have produced indicates that the world price of sugar is 2.7 cents a pound, that if you add the one-half cent duty, plus about one-half cent for freight, that sugar could be laid down in this country for about 3.7 cents a pound.

Instead of that the consumers pay 6.5 cents, plus, of course, the transportation and wholesaling and retailing costs.

This is a subsidy paid by the domestic consumers, to the foreign and domestic producers of 2.8 cents a pound or $56 a ton. And since we use approximately 10 million tons, I am speaking in round numbers, this amounts to $560 million. Approximately $330 million of which goes to domestic producers, and $220 million to foreign producers.

This has been going on for a great many years. It would be continued in the present act for at least 4½ years, possibly 5 years, and, therefore, this would come to a total not far from $3 million.

Now, these are huge sums, and whatever the justification by which this act or proposal may be defended, it certainly cannot be defended as of benefit to the consumers, and I think we should recognize it for what it is, a subsidy to high cost domestic producers and a subsidy to a small group of foreign producers.

Senator YOUNG. Well, Senator, I think that might be true in certain periods, particularly in peacetime, but we always have periods of short supply particularly when we had a war, when the prices go out of sight.

I remember during World War I, sugar prices reached astronomical height, and this could happen again. I think the very fact we have maintained a sizable production in this country is assurance that foreign countries won't exact exorbitant prices from us.

Senator DOUGLAS. This is another justification.

Certainly I would hate to see go unchallenged the statement that it is of benefit to the consumers.

Over the last 30 years we have paid a subsidy to domestic and foreign producers of at least $10 billion. Now, the interest of the consumers tend to be unrepresented before Congress because they are relatively diffused and inarticulate although I am happy to see that the commercial users of sugar are beginning to take an interest in this matter, and, of course, it is also true that the war argument certainly will be less strong in the future than it has been in the past because if we are unfortunate to have wars in the future in all probability they will be of relative short duration as compared to the long wars of the past. I think the consumers of the country need to know how much they are paying for this program.

Senator YOUNG. Senator, there are many other benefits flowing from the right to produce in your own country.

For example, the machinery used in this production of sugarbeets is very expensive. It wears out fast, and most of it used in my State, Senator, is produced in Illinois; International Harvester Co., and John Deere, their sugarbeet machinery is sold in North Dakota and most of it is produced in Illinois so it does furnish employment to a lot of people.

Senator BENNETT. Mr. Chairman, may I get into this? Was the Senator from Illinois not here yesterday afternoon when we discussed the fact that over the past 10 years the variation in the price of sugar has only been from $6.22 to $6.42 per hundred pounds?

Senator DOUGLAS. I beg your pardon. The Senator from Illinois was here.

Senator BENNETT. Were you here?

Senator DOUGLAS. I did not comment on it.

Would you like me to comment? Would you care to have me do so?

Senator BENNETT. I would just like to make the comment that this is one of the benefits that has been available to the consumer because the price——

Senator DOUGLAS. Well——

Senator BENNETT. May I finish? Because the price of other agricultural products has risen over the 10-year periods, but the price of sugar has been relatively stable. I have done a little arithmetic on this this morning, and you are assuming the world price has during recent years, always been at this low figure, and of course, that isn't true.

So that when you—and I am commenting particularly for the men at the press table—when you do this generalized arithmetic and say that the costs to the sugar consumer have been $10 billion, this is based on an assumption that is not accurate.

Senator DOUGLAS. Quite the contrary.

At the present figure it would be around $550 million a year. The Sugar Act has now been in effect almost 30 years. If I were to apply that, that would be 16.5 billion but I wrote down the total because I recognized that in a few years, namely, the war years, and at the time of the Suez crisis, there was a rise in the world price.

I am ready to compute the difference between the annual price of sugar in the world market and the price at home, multiply this difference in pounds, and by the total amount consumed, plus other payments and I think you will find that the net is most conservatively stated at $10 billion.

Senator BENNETT. The Senator also——

Senator DOUGLAS. Don't let the Senator from Utah represent the war years from—1942 to 1946 or the Suez crisis of 1956 as being the typical situation.

The typical situation is one in which the world price of sugar was markedly below the American supported price.

The domestic price was constantly higher than it would have been had we purchased the sugar in a free world market.

Senator BENNETT. The Senator from Illinois assumes if there had been no American domestic sugar program the world price would have stayed at the level that it reached.

Senator DOUGLAS. Not quite. I don't assume that. We also make an allowance for that. But the world production of sugar is now approximately 58 million tons. The addition of 6 million tons purchased from abroad would not have appreciably increased the price of sugar in the world market, particularly since there is oversupply in the world market.

Senator ANDERSON. I wanted, before Senator Young left, to ask him a question that has a slight bearing on this.

The Senator has been very familiar with the agriculture conditions in the Dakotas for a very long time. He knows that in the years at the end of the war we ran short of linseed oil for all sorts of architectural work.

We couldn't get any flaxseed out of the Argentine except at tremendous prices and at that time the Department of Agriculture announced a new policy and new program of giving high prices to American producers if they produced an abundance of flaxseed and his State produced a great deal of it.

The fact that it produced broke the market as far as the Argentine was concerned and gave our people a supply of linseed oil at reasonable prices.

All I am trying to ask is: Isn't it also true along with what you may say about subsidies that the guarantee of a sufficient production is a very good regulator of prices?

Senator YOUNG. I think it is, and the very fact that sugar prices have remained stable over all these many years at a reasonable price, I think is proof in itself of the value of the program.

Senator LONG. Might I just ask a question, Mr. Chairman?

The CHAIRMAN. Senator Long?

Senator LONG. Didn't we find out how it affects the Nation not to have a domestic industry in World War II when we ran out of rubber?

Senator YOUNG. The Senator from New Mexico was Secretary of Agriculture in the closing days of World War II. I remember he had to enter into deals with foreign countries in order to get the many necessary commodities including sugar that we needed badly.

Senator LONG. In other words, it might cost to have a domestic industry, but it is sure an inconvenience not to have it when your oversea supplies are cut off; isn't it?

Now, rubber was a good example. Can the Senator say that rubber is any less essential or any more essential than sugar to the country?

Senator YOUNG. The most important things, Senator Long, are food and fiber. Rubber, of course, was very important to our war effort.

Senator LONG. Presumably if we took off all the tariffs we had, just took off all the tariffs, presumably competition in the world market would bring prices down on all those items in this country, that the same logic should apply, shouldn't it, generally speaking?

Senator YOUNG. Yes, I think so.

If we removed all regulations on wages and everything else, I suppose we could produce as cheap as the rest of them.

Senator LONG. Wouldn't the same logic apply equally as well then to the automobile industry, the steel industry, the textile industry, the shipping industry, the oil industry—wouldn't all those industries have exactly the same problem if we took away their tariff protection, presumably the price and profits would go down and the standard of living, too.

Senator YOUNG. That is correct.

Senator LONG. In those industries.

Senator ANDERSON. Mr. Chairman, I was only interested in trying to point out we did by trying to increase production, finally control price.

Now, in 1946, Sir William Rook, I believe it was, was the British negotiator for sugar and he was going all over the world trying to find sugar, paying a very satisfactory price, and as the years have gone on, he has not bought sugar or the British Government has not bought sugar so terribly below the United States even though the price has gone down.

They had commitment in the Caribbean areas and paid a lot of money.

I only believe I was trying to get the Sugar Act rewritten; it hasn't been applicable all these years. It wasn't even effective for many, many years after the original Sugar Act was passed.

We revived it in 1947. We didn't get it passed until 1948 and the Senator from North Dakota was very helpful in those negotiations, but I do believe that the guarantee of that price, for a sugar production in this country, has helped to stabilize the sugar price even if it is a little bit above what we pay for it in the world.

Senator YOUNG. I believe stabilizing the price of sugar in the United States and in the world is not only of benefit to us, but the peoples of the world we are trying to help. We aren't doing any service to a country we are trying to help by beating down the price of the sugar.

If we want to help them we should buy their sugar at a reasonable price so they have a little profit on that so they can improve their economy.

Senator GORE. Mr. Chairman.

The CHAIRMAN. Senator Gore.

Senator GORE. Senator Young, all of us recognize and respect your ability as an expert on agriculture.

Senator YOUNG. Thank you; you flatter me very much.

Senator MORTON. Here comes the needle. [Laughter.]

Senator GORE. I wonder if you would compare the degree of production control and the so-called regimentation provided and practiced for several years in the sugar program of the United States with those aspects of the bill which was defeated yesterday in the House with respect to feed grains?

Senator YOUNG. Well, under the sugar program, you do have strict controls and compensatory payments.

Senator GORE. Aren't the controls in the sugar program in fact more stringent than those proposed in the bill which was defeated by the House yesterday?

Senator YOUNG. Well, no, I don't think so.

Senator GORE. Are there minima in the sugar program, that are exempt from control?

Senator YOUNG. But you could stay out of sugar production if you wanted to. With respect to feed grains, if two-thirds of the farmers voted for rigid mandatory controls, you would be stuck with the program whether you wanted to or not if you wanted to stay in the farming business.

Senator GORE. In the bill that was defeated yesterday, was there not an exception for silage?

Senator YOUNG. I am not too familiar with the House bill. I believe there was.

Senator GORE. Well, I understand there was.

Senator ANDERSON. Silage but not sorghum. I think that is what it was.

Senator GORE. I think there was a minimum acreage below which farmers production would not be controlled.

In view of that I ask you if the so-called regimentation, if the production control practiced for years and now advocated again by the representatives of sugar farmers, is not more strict, and has not been more strict and inflexible than the production controls contained in the House agricultural bill and in the Senate bill.

Senator YOUNG. Well, Senator, the controls in the sugar program are quite strict.

At the present time, of course, they are telling the farmers in my area not only now but last year as well, that they could produce all the sugarbeets they wanted to. But under this program you do get into a pretty strict control.

Senator GORE. Well, I was trying—I will not press you on it.

I was under the impression that the controls were considerably more inflexible with respect to sugar than with respect to feed grains.

Do you agree or do you not agree?

Senator YOUNG. Well—will you state your question again, please?

Senator GORE. I said, I have been under the impression that the production controls on sugar in past years, and as contained in the present bill, were more strict than the controls on feed grains contained in the bill which the Senate passed and which the House defeated yesterday.

Senator YOUNG. Well, I think you may be right.

The controls are just as strict, but when you get into feed grains you get into an entirely different problem. You get into production of feeds which a farmer has to have in his own feeding operations.

A farmer doesn't have to have the sugar and can get out of the program if he wants to.

Senator GORE. Well, I will not press the point, but what about production payments?

How does this differ with respect to the sugar program and the Brannan plan proposed a few years ago?

Senator YOUNG. Well, these are production payments and, personally, I haven't been too opposed to production payments on some crops if you don't go too far in that direction.

Senator GORE. Well, the reason I am asking these questions is that the distinguished chairman of the Agriculture Committee is here, and other members of the Agriculture Commitee, including you, are present, and I am just hoping that if we extend the Sugar Act, thus causing the consumers of sugar to pay a great deal more for sugar than they would without the act, that the same Senate will insist that if there is price support on feed grains that there be reasonable production controls.

Senator YOUNG. I think you have an entirely different problem in sugar and in wool than you have in some of these other commodities. This is a commodity in short supply that we import and if we had sense enough to raise our tariff a little we wouldn't have to have this program at all. I think this is an entirely different problem.

Senator GORE. Well, the production controls stem from a bill enacted by the same Congress and the compensatory payments come from the same Treasury and we only have one.

Senator YOUNG. You have tough production controls.

Senator GORE. Well, you and I will have a little private debate in the cloakroom.

Senator CARLSON. Mr. Chairman, right on that point, the Senator from North Dakota, let me ask him, isn't there a vast difference when you take out a specialized crop like sugarbeets which is grown in limited areas—take tobacco, you can't grow that nationally and you can't grow sugarbeets nationally and then put regimentation and feed

controls on 85 percent of this Nation's farms, it is an entirely different thing.

Senator YOUNG. It is an entirely different thing.

Senator GORE. I would like to ask the chairman of the Agriculture Committee in how many States are there soil and climatic conditions in which sugarbeets and sugarcane can be produced.

Senator ELLENDER. I think there are 23 States that are now producing beets, of course, that doesn't mean that more couldn't, and only 2 can produce sugarcane.

Senator GORE. So that is 24?

Senator ELLENDER. Twenty-five.

Senator GORE. Are there other States that could produce beets?

Senator ELLENDER. Oh, yes. Oh, yes.

Senator GORE. How many more would you say?

Senator ELLENDER. I don't know but probably 10 to 15 more.

Senator GORE. Well, now, we may not be able to produce them in Maine but that certainly gets a majority of the States.

Thank you, Senator.

Senator DOUGLAS. Mr. Chairman, I would like to comment, if I may, on the comment of the Senator from Kansas.

He is saying it is justifiable in having production controls and compensatory Brannan plan payments for sugar and presumably also for wool, but not for these other items because sugar and wool were confined to a relatively small number of producers, whereas wheat and corn and the rest apply to a great many.

This argument, I think, depends on the premise that it is fine to have special privileges for a few but not for many.

Senator CARLSON. Mr. Chairman, right on that——

Senator GORE. I was fishing for a comment from my distinguished and warm friend, Senator Bennett, on this degree of regimentation. I know he is strongly opposed to regimentation and strongly opposed to subsidy.

I was just hoping that he would comment on it.

Senator CARLSON. I would just like to make this comment now as to what happens in the production of wheat.

In 1951, Kansas grew 18 million acres of wheat and under our allotment program today this last year we were allotted 9.7 million acres.

Don't let anyone get the impression that the agricultural sections have not cut back their production when they have received some payments.

Senator ANDERSON. I wonder if I could get in for just a moment.

You started talking about compensatory Brannan-type payments. I just want to remind the Senator from North Dakota that compensatory payments were written into the Agriculture Act of 1948 introduced by the able Senator from Vermont, Mr. Aiken, and were taken out at a subsequent date because of a proposal by the then Secretary of Agriculture that it would be extended to important things of that nature.

Compensatory payments were originated by a man named Ted Schultz of the University of Chicago, a very able man, and compensatory payments under the Wool Act were proposed and put there before Mr. Brannan became Secretary of Agriculture. This is not a new idea. It is the way it was going to be applied with controlling

units so that the big farms could be broken up that caused most of the trouble.

Senator YOUNG. Under the Agriculture Act of 1948 the Secretary could apply compensatory payments to almost any crop.

Senator ANDERSON. We had that provision in the law, it was taken out of the Agriculture Act later on because of the possibility some people thought it might be abused.

Senator BENNETT. Mr. Chairman, the Senator from Tennessee indicates he is not going to be satisfied until the Senator from Utah says something.

Senator GORE. I wasn't requesting it.

Senator BENNETT. Just fishing for it.

Senator GORE. I was just hoping for it.

Senator BENNETT. The Senator from Utah would like to make this observation: The feed grains raised throughout the various States in the United States are raised under conditions of almost equal cost. There are local variations.

But sugar, half of the sugar, roughly 40 percent now, is produced in areas where wage costs are so—are very low, and that which is produced in the United States is produced by people who have the American standard of living.

If the Senator from Tennessee and the Senator from Illinois can make some kind of arrangement by which the wages paid to the sugar producers in the United States are comparable in level with the wages paid in these offshore islands and other places, then I think we could consider doing away with the compensatory payments.

Senator GORE. Well, Mr. Chairman——

Senator DOUGLAS. May I say—go ahead.

Senator GORE. Mr. Chairman, the cotton and tobacco farmers whom I have the honor to represent have accepted production controls.

The control of production with respect to tobacco is down to the one-tenth of an acre. It is very carefully measured by surveyors before the tobacco is harvested.

If a farmer is found to have as much as one-twentieth of an acre in excess of his allotment, he is instructed to destroy that excess or he will not receive price support on his entire crop.

After this excess is destroyed, the farmer is required to pay the wages of the surveyor to come back, examine the destroyed portion of the crop, and remeasure the acreage.

Now, the farmers have accepted this in return for price support at a reasonable level, in much the manner that the minimum wage is provided for the industrial worker.

But all through this program from President Roosevelt's administration through the Truman administration, through the Eisenhower administration and now into President Kennedy's administration, the corn and wheat producers have had price support but they have never accepted mandatory controls.

I think we need to add the feed grains provisions of the farm bill to the sugar bill.

Senator CARLSON. Mr. Chairman, I have got to get into this.

Senator GORE. First, let me ask the chairman of the Agriculture Committee if he confirms the accuracy of my statement.

Senator ELLENDER. I would say the Senator is in error as to wheat.

Senator CARLSON. That is right.

Senator ELLENDER. We have had acreage controls in wheat but the difficulty has been this: In 1938 when the act was drafted there was a provision put into the act that if the national allotment was 55 million acres or less, the Secretary of Agriculture had no jurisdiction.

He couldn't control production, and when that minimum acreage was put in the bill, 55 million, production of wheat was 13.2 bushels per acre.

Today the production of wheat is 26.2 bushels but we still have the 55-million-acre minimum, and that is giving us the trouble.

Senator GORE. Mr. Chairman, then I amend my statement to say there have never been effective production controls on either wheat or corn and I renew may suggestion to the chairman of the Agriculture Committee that we just add feed grains as an amendment to the sugar bill.

Then we will have a real debate on regimentation. [Laughter.]

Senator CARLSON. Mr. Chairman, I want to, in view of the statement of the Senator from Tennessee, I want to make this record clear that a wheatgrower, a wheat farmer, who plants a half acre in excess of his quota, if he does not plow that under or destroy it he does not get any benefit payments.

He does not get the price supports. In fact, he can be penalized, some have been sent to jail and fined, in fact, I could get into cases with names where they have been fined up to $5,000 for exceeding their quotas.

Senator ANDERSON. Wouldn't the Senator from Kansas agree the fact there was a 15-acre waiver there, in there, anybody could plant 15 acres of wheat, change the situation in States like North Dakota and Kansas and Colorado and put wheat all over the United States and that is what throws it out of balance?

Fifty-five million acres is too large I quite agree with the able chairman of the committee, but the 55-million-acre limitation doesn't hurt you half as much as a permit to raise 15 acres at any time anywhere in the United States.

To raise that amount of——

Senator GORE. The House of Representatives passed the sugar bill by an overwhelming vote. Perhaps they would be willing to raise the question of regimentation in connection with this sugar bill if we sent it back.

Senator CURTIS. Mr. Chairman, I would like to ask a question about sugar.

Senator Young, we are delighted to have you here. You always make a contribution. Almost daily we hear these attacks upon the domestic sugar production, and allegations that the consumer is being damaged and penalized.

What would happen to agriculture in general if we abandoned the Sugar Act and relied upon world sources and world prices?

I am not asking what would happen to the consumers, I think it would be disastrous, I am not asking what would happen just to the wheat farmers.

You are a longtime, distinguished member of the Committee on Agriculture. What, in your opinion, would be the effect upon agriculture in general?

Senator YOUNG. Well, there would have to be a lot more land retired, and farmers would have to go into more production of crops that are already in great surplus.

As I pointed out in my statement, in the Red River Valley, for each acre going into sugarbeets, you take 2 acres out of production because the land must be summer fallowed the previous year. This is good land; it it wasn't in sugarbeet production it would be in production of some other commodity and probably one which is in surplus.

Senator CURTIS. Would you say that it would multiply all the problems of agriculture generally quite a little or increase all the problems?

Senator YOUNG. It most certainly would, and would also aggravate the employment situation. The sugar industry furnishes employment so a sizable number of people in the United States both in the manufacture of the machinery they need, and the cultivation, production, and refining of the beets.

Senator CURTIS. I thank the Senator, because I believe that these allegations are not only inaccurate, and they are misleading to the consumer that such a program they imply would be damaging to the consumer, but it would be very damaging to all the farmers all over the United States even though they don't have any hope of raising sugar.

Senator YOUNG. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. We members of the committee enjoy these sessions, because it permits us a chance to debate with our colleagues which we seldom have on the floor. [Laughter.]

Senator GORE. And seldom have such a congenial one as a witness.

Senator YOUNG. Thank you.

Senator DOUGLAS. I don't wish to debate further with the Senator from North Dakota, but I cannot allow the comment of the Senator from Utah to pass on unobserved.

He justifies the higher price for sugar paid to domestic producers above the world price on the grounds the wage scale is higher.

I wonder if this same argument can be used in justification of the wool program, because what we do by paying subsidies to wool producers in Utah, and in other States, is to give them large sums of money and displace Australian and New Zealand wool where the wage scale is extremely high.

So that I think our friend from Utah will have to find another excuse for these huge subsidies which the consumers of the Nation have poured into the pockets of the producers of the Rocky Mountain States.

Senator BENNETT. I am sure the problem with respect to wool is basically the same. The total cost of producing wool in this country is higher than it is in New Zealand.

Wages are only part of it. There are other costs that are involved. So far as the people who handle sheep flocks, they are provided with their living as well as their wages, and these costs are undoubtedly higher.

I haven't gone into the wool and wool is not an issue before us. In fact, this sounds this morning more like a meeting of the Committee on Agriculture than the Committee on Finance.

Senator ELLENDER. Not in the Senate now, you mean in the House.
[Laughter.]

Senator BENNETT. In the House, yes.

Senator DOUGLAS. Well, along with my colleague from Tennessee I marvel at the way in which a great many Senators not only accept but defend strict production controls and subsidies for sugar and wool applied to their own States, but object very strenuously to them when they are aplied to the great Mississippi Valley.

Senator BENNETT. I would like to make the point again, both of these commodities are in deficit supply in the United States, and all of these others you have been talking about are in surplus supply, and it seems to me this makes one of the fundamental differences.

Senator GORE. Mr. Chairman, I have but one suggestion with respect to deficits. Let us charge our guests a little admission fee as they depart and that will help out.

[Laughter.]

Senator FULBRIGHT. Mr. Chairman, may I ask one question on the point particularly raised by the Senator from Nebraska?

The CHAIRMAN. Senator Fulbright.

Senator FULBRIGHT. Isn't it true, Senator Young, that in this case, however, we are developing an inefficient industry compared to soybeans, for example, and you are fostering the increase of an unnatural and artificial industry which never except for the sugar bill would have developed, would it?

Senator YOUNG. No, I think we produce sugar quite efficiently. If we want to buy our sugar from countries that have virtually slave labor, then, of course, you could probably buy cheaper but we can buy many other things abroad, too. For example, we could handle all our shipping on foreign ships much cheaper than our own.

But I think it is to our own best interests to subsidize the merchant marine and keep it in business.

Senator FULBRIGHT. That is on a national defense basis, isn't it?

Senator YOUNG. I think food is a problem in periods of war emergency, too.

Senator FULBRIGHT. I noticed in the statement of the chairman of the House committee, the father of this bill, and I quote:

> It is uneconomical to product it—

That is sugar—

> domestically. It has to be on an artificial basis.
>
> We talk about artificial price support. This bill is important in all areas of the country, the Virgin Islands, Puerto Rico, and Hawaii, that it all be grown here and keep foreign sugar out, to keep them in business.

That is not so; for example, in soybeans.

Soybeans compete. They sell abroad about 40 percent on an open market for cash. I don't quite see you can say in response to the Senator from Nebraska's question that this would injure all agriculture. It strikes me that this bill is a hindrance to all other agriculture in that you are developing a system here which is based upon the encouragement of an inefficient domestic industry which I think in the long run will cut off markets for such things as tobacco, soybeans, cotton, rice, certainly. I don't see how you think this, if we had no sugar bill at all, this would injure agriculture. We didn't have any sugar bill until the depression, I believe, in 1934, and the

President at that time, President Roosevelt, as Mr. Cooley also stated, that the production in domestic areas should not be increased.

That was one of the original provisions, and this was intended at that time as an emergency sort of relief measure, was it not?

Senator YOUNG. Perhaps so. But in periods of war or emergency, you have to have this production. If we only wanted cheaper production we could buy all our textiles in Japan and cheaper than we can here, we can buy all our wheat in Canada cheaper than it can be produced here.

If we had the same wage scale as the rest of the world this would be a different story, if we only wanted to buy where it was cheaper——

Senator FULBRIGHT. But we, under our wage scale, do compete. You are not trying to say all of our industry, agriculture and industry is so inefficient even with our wage scale it can't compete, are you?

We have a favorable balance of trade today on trade, if you leave out your defense and other things, we have a favorable balance.

Here this is unique. In none of these other crops that have been discussed do we pay any foreign producer a premium.

Do we go out and pay the producer of wheat or any of the other items, rubber or anyone else, almost double the world price? I don't know of any. This seems to me a unique bill.

Senator YOUNG. These are surplus crops.

Senator MORTON. The Senate bill does away with it in a 5-year period.

Senator FULBRIGHT. The Senate bill isn't passed yet. The House bill certainly does that and it always had.

There is no other crop in which we go out and distribute money as we have under this bill. It was suggested in the House, and I have it here, with Mr. Cooley in the debate, why didn't we cut out this other, he said, it sort of reveals just how terrible his bill is if you cut out the foreign.

We have got to bring them in to make it sort of more or less acceptable to everybody. That is about what he said, wasn't it?

Do you recall that?

Senator YOUNG. I didn't read his statement.

Senator FULBRIGHT. I have it here, I will look it up.

Senator YOUNG. Senator, if you wanted to import where you could buy the cheapest, many of our farm industries would be destroyed.

We are keeping cattle from coming in from Argentina in great numbers through an embargo because of a foot-and-mouth disease.

Senator FULBRIGHT. We don't pay the producers of cattle anywhere else to produce, why do we pay it at all here?

Assuming you want to protect this the same way you do cotton or rice if you have the acreage and so on the strange part of this is bringing in this payment, production payment of premium prices to foreign producers, isn't that unique in this bill and applies to no other cases?

Senator YOUNG. It is a substitute for tariff. Most industries are protected by a tariff.

Senator FULBRIGHT. Why shouldn't they be protected by a tariff? Why is this handled in a unique way?

We could have a small tariff.

Senator YOUNG. If you reduced the tariff on some of our industrial items many of the small industries would be destroyed.

Senator FULBRIGHT. That is another matter.

I would argue, probably, you would be better off.

As a matter of fact, that is the purpose of the trade bill. I suppose this means you are not in favor of the trade bill, but we won't get into that at this point, but the purpose, I thought we were a free trading nation, generally speaking, that is our objective, we are not free trading completely, certainly, but the markets of the crops in my State, I think, would be injured by this bill, because if we are going to be able to sell on a free market such things as soybeans, and as the Senator mentioned, tobacco which is not particularly in my State but cotton is and rice and poultry, for example, I don't know how that is consistent with this bill.

In fact, it seems to me it destroys the opportunity for other agriculture in the world markets.

Senator YOUNG. Well, Senator, if your sugarcane producers in the South were put out of business they would have to raise something else, probably cotton, which is in surplus.

Senator FULBRIGHT. But the purpose of this bill it doesn't appear to me to be a matter of protection.

What you are really doing by incentive payments, very largely, larger than any other crop, is inducing the creation of an uneconomic crop, that is what, in effect, Mr. Cooley says in his statement.

It is uneconomic, so we are going out deliberately and paying them very large incentives to start and expand a domestic crop. That doesn't apply to any of these others, any other crop that I can think of. This is unique in many respects.

Senator YOUNG. Senator, the same principle applies to the textile industry, for example.

We can buy our textiles much cheaper in Japan if we want to do that.

Senator FULBRIGHT. We don't pay the textile manufacturers incentives to build more plants at all. We are not going out and saying to the textile manufacturers, "You build more plants and we will pay you X millions of dollars," that is what this bill is to do, however, to build a new plant every year.

We are giving an affirmative incentive to increase the production.

Senator YOUNG. You have a quota on imports of textiles. If you want to apply that same principle to sugar, that would work, too.

Senator FULBRIGHT. But that isn't what this bill does. It isn't to protect it. If it was restricted to that and followed the same line as, we will say, tobacco and some of the others, I think we are accustomed to it, whether it is right or not.

But this bill is unique in several respects. You don't deny that, do you? There is nothing comparable to it in our whole legislation.

Senator YOUNG. It has worked, though. It has provided sugar at a reasonable price.

Senator FULBRIGHT. Well, it costs the country about $500 or $600 million a year. I don't know why you mean it is so reasonable. It costs the consumers. The price of sugar today for the consumer here is twice what it is in Mexico, it is about 20 percent what it is in Canada. Everybody pays through the nose but you have very ingeniously hidden it so they don't know it.

Senator Young, I will grant that it is a very ingenious piece of legislation but the facts are it costs the consumers, who are taxpayers, somewhere around $600 million, doesn't it?

Senator YOUNG. I wouldn't agree with that.

Senator FULBRIGHT. And the other strange part of this is a lot of this goes to foreign producers which certainly isn't so in any other protection case or any other agriculture product.

Senator YOUNG. To the extent that it gives a decent price to foreigners who supply our sugar we are helping them.

Senator FULBRIGHT. Then you think this is a foreign aid bill?

Senator YOUNG. I would a whole lot rather give them a decent price for things we buy from them than give our dollars to them.

Senator FULBRIGHT. But the main objective surely is not that but it is to help your people in North Dakota, the same way that the wheat bill and the cotton bill, isn't it.

You wouldn't justify this on the ground of being a good way to administer foreign aid.

Senator YOUNG. I would much rather have a quota system, as I say, similar to those controling imports of cotton and textiles. This would work much better and be less costly.

Senator FULBRIGHT. I can't see that this helps the rest of agriculture. I have always advocated this be put in with the agriculture, the regular agriculture bill, and sugar be treated just like others and given the same kind of treatment you give cotton or rice or tobacco or wheat or corn, however awry that program may have gone, but this is a unique kind of thing and it leads to a certain kind of lobbying activities, extracurricular activities, that none of the others lead to that I know of, doesn't it?

Senator YOUNG. The lobbyists are pretty busy on all legislation, particularly on tariffs and foreign aid.

Senator FULBRIGHT. I never had any more examples of people lobbying in the cotton field, cotton business, or tobacco than are engaged in this.

There is lots more money spent on this program than any one of the other crops, isn't that so?

Senator YOUNG. Well, all because of the unique way we have of trying to protect our own industry.

Senator FULBRIGHT. You are not trying to protect it. You are trying to create a new industry that did not exist. You are giving an affirmative incentive, I don't know why you couldn't do it for coffee. We import a lot of coffee. If you spend enough money you could grow coffee in this country, if you are willing to pay enough for it, couldn't you?

Senator YOUNG. I doubt it.

Senator FULBRIGHT. Well, why do you doubt it?

We already grow a lot in Hawaii and we could grow it in Florida and Louisiana, I am sure, if you wanted to pay enough for it.

Senator YOUNG. Sugar is produced very efficiently in this country, in spite of the high wages and the high cost of machinery and the high cost of everything you have to buy.

Senator FULBRIGHT. All right. Why not put it on the same basis as cotton and wheat. I don't see why you have got to have this unique kind of boondoggle.

I never have understood it. I tried to have it put in with the others. The sugar bill was very bad for the rice industry in my opinion. The Senator from Louisiana and I have had arguments about this before, especially before we lost Cuba. But it still is—I think it interferes with other legitimate agricultural activities because of the peculiar way it is handled.

Senator GORE. Will the Senator from Arkansas yield for questions?

Senator FULBRIGHT. Yes.

Senator GORE. The Senator has made a suggestion that the sugar legislation be a part of the general agricultural bill.

Senator FULBRIGHT. I think it ought to be.

Senator GORE. I think that may be very pertinent now. Since we are faced with a choice, or the danger, of either no agriculture bill at all, or continuation of one that will refill Billie Sol's bins, maybe we should just offer a farm bill as an amendment to the sugar bill and then we will have it all in one bill.

Senator FULBRIGHT. That would suit me. I would much rather this go before the Agriculture Committee and be considered in exactly the same way that other agricultural commodities are.

I don't see any justification for the special treatment for this bill. It started out in 1934 in a modest way and the President, as Mr. Cooley, I quoted, he said I need only remind the gentlemen when the first sugar bill was signed by President Roosevelt, he said, that this production in the domestic area should not be increased, this is Mr. Cooley's statement on the floor on June 18.

Mr. Cooley is very frank about several aspects of this bill and he is the greatest authority, I guess, and has had more to do with it than anybody, and he very frankly admits that we keep these foreign subsidies in here in order to sort of make this thing look palatable.

It might have trouble, like he said it would stand out like a sore thumb if we didn't have this quota premium program.

Senator MCCARTHY. Will the Senator yield to me?

Senator MORTON. I agree with you, Mr. Cooley has had more to do with it. I might say I question the word "authority."

He had more to do with it.

Senator MCCARTHY. I also might suggest providing for the domestic program in order to make the foreign subsidies look good, too.

Senator FULBRIGHT. I didn't quite hear that.

Senator MCCARTHY. You said, Senator, you interpret Cooley's position to this end, that the foreign subsidies were continued in order to make the domestic program look good.

I suggest the opposite might be just as true.

Senator GORE. I don't think either one looks good.

Senator FULBRIGHT. Of course, it is so confusing and such a difficult bill to understand it may be that is one of its principal merits. But Mr. Cooley said this on page 10009 on June 18:

We know—

And I quote:

We know enough about this program to realize that if we do away with quotas and do away with premiums the only thing you would have left would be payments to the domestic producers and those payments would stand up like a sore thumb and would be difficult for us to justify.

That is what Mr. Cooley said, they would be the same basis as the payments that are now made for support prices of cotton, and tobacco and all the others. They stand out like a sore thumb.

I get a lot of criticism, all of us do from the farm States about these other programs, but not sugar, no one ever says a word about sugar.

Senator WILLIAMS. Would the Senator yield?

Senator FULBRIGHT. It is accepted without any question almost and it is slipped through always the last day ever since I have been here, it is brought in the last 2 days before it expires and you have got to act immediately. It is never brought in in a regular way such as the other agricultural products.

Senator BENNETT. Do you know who is responsible for that? Mr. Cooley, he is the one who makes the—makes it impossible for us to discuss it earlier.

Senator FULBRIGHT. That is neither here nor there. I have no doubt Mr. Cooley is devoted to this bill. [Laughter.]

I am only saying the bill itself is an anachronism and it is unique and it has no justification for being handled in this manner.

It ought to be part of the Senator from Louisiana's regular agricultural bill and treated like other agricultural commodities, and with the same kind of, I think, objectivity, and freedom from the kind of pressures that this bill develops because of the enormous amount of money that is involved.

Senator WILLIAMS. Will the Senator yield for a question?

Senator FULBRIGHT. Yes.

Senator WILLIAMS. What did Mr. Cooley say about the justification of the 22 million payment to the Dominican Republic?

Senator FULBRIGHT. He is all for it. I am not for this bill at all. I make my position plain. I voted against this bill. I tried once to stop it and I think we got four votes, maybe five. But there is no question about the bill having support.

When you look at the amount of money that is spread around I suppose you could get any bill supported, but Mr. Cooley did, he wanted to give them that money.

I am not for that either, if that is the Senator's question.

Senator CARLSON. Will the Senator yield?

I think the Senator from Arkansas and the Senator from Kansas might also have some problems when he is talking about agricultural commodities. I am sure the Senator does not object to a subsidy of $20 for cotton and I can't object to 80 cents a bushel for wheat.

Senator FULBRIGHT. Why can't we put it in the same bill with cotton and wheat and let it be handled with other commodities, why is this special treatment for sugar?

The CHAIRMAN. The Chair would like to say that he inherited this sugar bill.

Senator FULBRIGHT. I certainly wasn't intimating that the chairman had anything to do——

The CHAIRMAN. The Sugar Act has been under the jurisdiction of the Senate Committee on Finance since the first sugar bill was passed, I don't know how long ago it was, but——

Senator FULBRIGHT. 1934.

The CHAIRMAN. 1934. It is connected with the tariff, a subject over which this committee has jurisdiction.

Senator FULBRIGHT. It was really intended, I think, as a minor relief program in a period of great depression and it was an effort; we did many things in those days, like leaf raking and WPA and other things, and this was—in which the President as quoted here, the President said domestic production was not to be increased.

The intention was not to build up a huge inefficient domestic program, and it has completely departed from its original purpose.

I certainly don't think the chairman had anything to do with this at all, and he doesn't even grow any sugarbeets so far as I know.

But I think it has gotten out of hand and now it is getting more and more costly, and I object to receiving criticism from people about our agricultural bill, from particularly city people and here sugar goes along and never, it is hardly mentioned. I think it ought to be in the same boat with everybody else in agriculture. I don't see why it should be given this special treatment.

To say to repeal it would be injurious to other agriculture as the Senator from Nebraska does, I can't go along with that at all.

I think it would be, if anything, beneficial but in any case, I see no justification for special treatment.

I don't think this is the right way to give foreign aid either. If you are going to give foreign aid it ought to be under some kind of regulations that at least are reasonably designed to see it help the people.

This goes as you all know in many cases to huge corporations in some of these countries, many of them owned by even Europeans, I think the largest one in Peru is a German corporation, and so on all down the line. It has no relation to local development, I think or very little.

The truth of the matter is in these sugar industries in the foreign countries you have the worse conditions of any other areas.

That is all, Mr. Chairman.

The CHAIRMAN. I simply want to make this statement, that the Committee on Finance has many great problems, and difficulties, and one of the greatest headaches we have is this sugar bill. I recall at the last session, and the Senator from Arkansas will no doubt remember it, that the bill did not pass the House of Representatives until the day before the deadline for its enactment, June 30, and we had to stay up all night in order to get the bill enacted by midnight of June 30.

Senator FULBRIGHT. That is customary. It happens almost that way every year.

Senator BENNETT. Not by our choice.

The CHAIRMAN. Thank you, Senator Young.

Senator YOUNG. Thank you for a very interesting morning.

The CHAIRMAN. The importance of what you have said is indicated by the discussion you have created.

Senator GORE. You made a fine impression. [Laughter.]

The CHAIRMAN. The next witness is the distinguished Senator from Colorado, Senator Gordon Allott.

Take a seat, Senator.

STATEMENT OF HON. GORDON ALLOTT, U.S. SENATOR FROM THE STATE OF COLORADO

Senator ALLOTT. Mr. Chairman, distinguished members of the committee, I want to say first of all, that I am very happy that this committee has taken this bill up with dispatch, and it is a real pleasure to have an opportunity to have a hearing on the sugar bill before the Finance Committee in view of the recent history of this bill.

I appreciate the opportunity to appear before you today to discuss some of the domestic provisions of H.R. 12154 and particularly those provisions that pertain to the sugarbeet industry.

The growing and processing of sugarbeets is a vital, important, and essential part of the economy of my State of Colorado.

Our farmers produce beets in 25 of Colorado's 63 counties. One of them—Weld County—is and for many years has been the largest sugarbeet-producing county in our Nation.

In Colorado we have 14 processing plants, including one which specializes in the handling of valuable byproducts of the manufacturing process. My State is the headquarters for 4 of the Nation's 15 beet sugar companies.

Colorado is the second largest beet sugar-producing State in the Nation. Last year, our sugar mills turned out nearly 18 percent of all the beet sugar produced in the United States.

So you can see that the people of my State have a direct stake in the operation of the Sugar Act and a tremendous interest in the enactment of the kind of law that will promote the stability of the sugarbeet industry.

The people of the United States also have a stake in the stability and the dependability of the sugarbeet industry of Colorado, for we produce enough sugar to meet the annual needs of more than 6¼ million persons in addition to the entire population of Colorado.

I view the domestic provisions of H.R. 12154 as contributing to the stability of the industry to a measurable degree, and this is the principal virtue of those provisions.

The new basic quota of 2,650,000 tons at the present consumption level recognizes roughly the marketing and production levels the industry has reached in recent years while it has been helping materially to fill the gap in domestic supplies caused by production deficiencies in 2 other domestic areas—Puerto Rico and Hawaii.

The new growth formula provided in H.R. 12154 is expected to add enough each year to the beet sugar quota to absorb a part of the increased yields per acre which the technological advancements of the industry bring about, and also to provide an acreage reserve for the entry of some new blood into the beet sugar industry.

Since the beet sugar industry has been absorbing the growth portion of Puerto Rican and Hawaiian quotas in recent years, as well as part of their basic quotas, through the allocation of deficits, the beet sugar industry actually has been receiving an annual growth increment about equal to what the bill would provide.

Thus the bill does not provide any huge increase in either basic quota or growth for the beet sugar industry—as you see when you examine all the facts. The Hawaiian and Puerto Rican deficits have been an important part of the beet sugar quota in recent years.

Last year, for example, more than 40,000 tons of the adjusted beet sugar quota of 2,609,000 tons came from deficit allocations.

Unfortunately, most of the figures published in connection with this bill do not reflect the deficit allocations, and therefore they present a distorted picture, an exaggerated impression of the truly modest increases the beet sugar industry will receive through this bill. The first table on page 2 of the House committee report on the bill, for example, presents, in my opinion, such a distorted picture.

With your permission, Mr. Chairman, I should like to insert in the record at this point a brief table making a comparison between basic domestic quotas under the present law, taking deficit allocations into account, and the domestic quotas this bill would provide.

The CHAIRMAN. Without objection the insertion may be made.

(The table referred to follows:)

TABLE I.—*Domestic quotas at 9,700,000 consumption level, present law and H.R. 12154*

[Short tons, raw value]

Area	Present law [1]	H.R. 12154
Domestic beet sugar	2,400,000	2,650,000
Mainland cane sugar	750,000	895,000
Hawaii	1,050,000	1,110,000
Puerto Rico	935,000	1,140,000
Virgin Islands	17,000	15,000

[1] Reflecting allocation of anticipated deficits if present law were to be in effect through all of 1962.

Senator ALLOTT. As you will see by this table, the increase in the beet quota is only about 10 percent at the present level of consumption, over what it would be if the present law were in effect all this year and if the anticipated offshore domestic deficits are taken into consideration.

You will notice that no deficits are reflected in the new basic quotas because under this bill, all domestic quotas will be allocated to foreign nations.

In contrast to the modest increase in the beet quota, some of the increases given to foreign countries by this bill are astronomical.

So you may make the comparison, Mr. Chairman, I should like your permission to insert at this point in the record a table showing foreign quotas and temporary allocations proposed by this bill, and foreign quotas under the present law.

The CHAIRMAN. Without objection.

(The table referred to follows:)

TABLE II.—*Foreign quotas and temporary allocations under H.R. 12154 and foreign quotas under present law at 9,700,000-ton consumption level*

[Short tons, raw value]

Country	Present law quota	H.R. 12154	
		Basic quota	Temporary allocation
Cuba	3,208,000	[1] 1,500,000	
Philippines	980,000	1,050,000	150,000
Peru	108,518	200,000	150,000
Dominican Republic	96,308	200,000	150,000
Mexico	80,108	200,000	150,000
Nicaragua	15,748	30,000	
Haiti	7,640	25,000	
Netherlands	3,940	10,000	
Republic of China	3,802	45,000	150,000
Panama	3,802	15,000	
Costa Rica	3,792	30,000	
British West Indies	84	100,000	150,000
Colombia	0	35,000	
Brazil	0	190,000	150,000
India	0	30,000	100,000
El Salvador	0	10,000	
Fiji Islands	0	10,000	
French West Indies	0	40,000	
Australia	0	50,000	150,000
South Africa	0	20,000	100,000
Mauritius	0	10,000	100,000
Ecuador	0	30,000	
Guatemala	0	20,000	
Argentina	0	20,000	
Paraguay	0	10,000	
British Honduras	0	10,000	
Canada	631	631	
United Kingdom	516	516	
Belgium	182	182	
Hong Kong	3	3	

[1] Withheld from Cuba and allocated temporarily as shown in 3d column.

Senator ALLOTT. As I pointed out earlier, however, although the bill does not provide substantial increases for the beet sugar indusry, it does provide a god measure of stability.

It exchanges the uncertain deficit allocations for the certainty of a modestly larger basic quota. Because this will mean increased stability for the beet sugar industry of Colorado, I am glad to support the domestic quota provisions of the bill.

Now, Mr. Chairman, in about 1 minute, I would like to comment on one other aspect of the bill which I have not included in my statement, and that is the so-called temporary allocations of the Cuban quota.

I must disagree with the provisions of the House bill in this respect.

There are two reasons, two main reasons, for this, in my opinion. The first is that no nation or country or territory which receives a temporary allocation can possibly or will regard it as a temporary allocation beyond the first year.

If the temporary allocation continues as long as 2 years these people will begin to consider that they have a vested interest in this allocation, and thus the disruption, if it should be attempted to be taken away later, is going to cause us, in my opinion, very great harm.

The second reason and which I feel is a basic mistake in this respect is this: There are others, but these are the two main reasons—and that is that in the case of Cuba, in which I have been very greatly interested for a period of several years, in the case of Cuba, we have there a situation which we all know about, but one of the certainly indisputable characteristics of this country at the present time is the extreme economic situation in which it finds itself, where even basic foods, particularly basic proteins, are rationed to such an extreme degree that this in itself may help us solve the Cuban situation.

Now, we had in—this is hard for us to realize since we all have ability in emotionalism about Cuba at the present time—it is hard for us to realize that Cuba has furnished us with a steady supply of sugar over a great number of years, and that they have even held during war years sugar supplies in reserve and stored them for our use.

Now, the basic quota allotted to Cuba of 1½ million short tons, in my opinion, if allocated on a temporary basis, will take away from Cuba, and from the—particularly the—people in Cuba, the cherry that we ought to keep dangling before them as an incentive to overthrow their own government.

If we allocate this on even a temporary base, knowing that these countries are going to assume that it is permanent real quick, if we allocate it on a temporary base, we are taking away from Cuba and saying to them, "There isn't any hope because even if you should overthrow your government, you cannot go back to the method that you have."

I do not advocate any allocation to Cuba at this time.

I would oppose it very violently, but I do not think we should make a temporary allocation of these quotas to these other countries and thus destroy the incentive that these people might have for reestablishing in Cuba a very active and good sugarbeet industry which they are going—not sugarbeet, sugarcane industry—which they are going to have to have come the day that those people are able to overthrow their Communist masters.

I want to express my appreciation to the committee for listening to me, and the opportunity to be here.

The CHAIRMAN. Thank you very much, Senator Allott.

Any questions?

The Chair has been requested to insert at this point in the record the statement from Senator Frank E. Moss of Utah; and another statement by Senator John A. Carroll.

(The statements referred to follow.)

STATEMENT OF HON. FRANK E. MOSS, U.S. SENATOR FROM THE STATE OF UTAH

Mr. Chairman and members of the committee, the Sugar Act is of tremendous important to the farmers of Utah, and I appreciate the opportunity to speak in their behalf. I shall confine my comments to the domestic provisions of the bill H.R. 12154, and specifically and in particular to the provisions that affect the domestic beet sugar industry.

The beet sugar industry has had a long and colorful history in the State of Utah. One of the great epics of pioneer America is the courageous effort to establish a beet sugar industry in Utah more than a hundred years ago. Machinery for a beet sugar processing plant was purchased in England and hauled across the plains of America by ox team, under great hardship, in the early 1850's. That first great effort met insurmountable difficulties and later the project was abandoned. Some 40 years later the first successful beet sugar

plant in Utah was established in Lehi. This was the first beet sugar mill in America to be constructed entirely of American machinery by American workmen, and it had many years of successful operation.

The mill at Lehi was the forerunner of the industry which contributes so much to the Utah economy today. Now there are five beet sugar factories in my State, and sugarbeets are grown by farmers in 10 counties. Utah is also one of four States which produces sugarbeet seed.

And so you can see why the terms of this bill, which directly govern the conditions under which sugar is marketed in the United States, is of such concern to the farmers, and in fact, to all the people of Utah.

The bill would provide a slight increase in the beet sugar quota—permitting about 10 percent greater marketing of beet sugar this year than under terms of the present law. The bill would also provide a slightly larger share of future growth in the U.S.-sugar market for the beet sugar industry. Annual sugar consumption per capita is practically constant in the United States—with some seasonal variations, of course—and so as our population grows, the need for sugar grows.

It is sound national policy, in the state of the world today, that we should place greater reliance on the sugarbeet producers of Utah and other States, not only for our current supplies, but also for our future supplies.

The slight increase in the beet sugar share of future growth in our market will help to permit some new growers to produce sugarbeets. It should also help to provide for at least part of the increasing yields per acre which the splendid technological improvements in the beet sugar industry are bringing about.

However, the chief benefits which will accrue to the farmers to the economy of Utah from the domestic features of this bill are the benefits of stability. For 2 years the industry—indeed the whole sugar industry of the United States—has been plagued by the uncertainties and vagaries inherent in the series of short-term extensions of the Sugar Act which we have been obliged to enact under the pressure of the times. Now, however, we have the opportunity, and I believe the obligation, to enact a long-range law which will enable our farmers to know the conditions under which their sugar will be sold—not for only a few months or a few weeks ahead, but for the next 4½ years.

May I point out, Mr. Chairman, that not until next year will most of the sugar be sold that is produced from the crop that is now in the ground in Utah. A long-range law is essential for the sensible planning of our State's agriculture, and the agriculture in all the States in which sugar crops are grown.

And so I strongly urge the enactment of a long-range law, before the present act expires at the end of next week, a law that embodies the principles of the domestic features of H.R. 12154.

STATEMENT BY HON. JOHN A. CARROLL, SENATOR FROM THE STATE OF COLORADO

CONSUMERS AND FARMERS NEED THE SUGAR ACT

Mr. Chairman, in November of 1930 a man, whose friendship I cherished above all others and whose memory I revere to this day, was elected to the U.S. Senate from Colorado.

I am proud to have played a part in sending him here.

The people of the United States best remember him as the father of the first Sugar Act—the late Senator Edward P. Costigan.

The Jones-Costigan Sugar Act has been, for 28 years, a stabilizing force in the sugar economy of the world.

Senator Costigan was a man dedicated to promoting the common good.

The chaos in the sugar market in the post-World War I years dramatized to Senator Costigan the need for a marketing system that would accomplish three objectives: (1) Hold sugar prices to the housewife at a low and stable level, (2) guarantee American consumers a steady sugar supply, and (3) provide a decent income to the family farmer growing beets or cane.

Early in 1934 President Roosevelt asked for a sugar program.

Senator Costigan's sugar plan was signed into law by the President on May 9, 1934.

The basic philosophy of the Costigan sugar plan is retained today in the bill before this committee. Only some of the details have been changed.

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SUPPLY MANAGEMENT PRINCIPLE

The fundamental Costigan principle was one of supply management. It sought to balance supplies with demand by assigning, under a quota system, a portion of the market needs to producer units.

Compensatory payments were to be made to producers for adjusting their production to marketing quotas. These payments augmented their income and guaranteed an equitable division of sugar returns among beet and cane processors, farmer and hired laborers. The payments also provided for the elimination of child-labor.

The Costigan formula has worked with unbelievable success.

There are no sugarbeet or cane farmers, nor processing companies, who would do away with the Costigan supply management formula.

Nor would the housewife want to return to the years when sugar would cost 10 cents a pound, go to 26 cents a pound, then back down to 7 cents a pound, all in the space of 34 months. This is what was happening in 1920.

The supply management, compensatory program has succeeded and should be retained intact and extended for 5 years, as proposed by the House of Representatives.

FARM BUREAU AGREES TO MARKETING PRINCIPLE

I was pleased to see, Mr. Chairman, that yesterday the representative of the Farm Bureau supported the Jones-Costigan marketing control principle. In answer to a question he stated that the Farm Bureau endorsed the principle of marketing controls and compensatory payments for certain agricultural products, namely sugar and wool. This means that all important national farm organizations agree on the basic principles in the legislation we have before us.

This in itself is again a great tribute to the men who drafted the first act back in 1934. It has succeeded so well that 28 years later farmer organizations and processor organizations, who not often agree on anything, do agree that this particular supply management program is effective and must be extended in the interest of the common good.

CONSUMER HAS BENEFITED

The Jones-Costigan sugar program has served the consumer well.

No other basic food has been more stable in supply and price than sugar.

Great fluctuations have occurred in the prices of some food products, especially those imported.

The price of sugar for 25 years has been "reasonable" by anybody's standards.

Related to the wholesale price index for all foods, sugar was 4.82 cents per pound in 1938 and 4.15 cents per pound in 1961. (The index for all foods was 93 in 1938 and 222 in 1961.)

Related to disposable personal income, sugar was 4.57 cents per pound in 1938 and 2.38 cents per pound in 1961.

And the Jones-Costigan formula has held American sugar prices stable in the face of international sugar prices.

The United Nations Food and Agriculture Organization recently reported that the average retail price of sugar in the United States was 5 cents per pound below the median price of sugar in 121 foreign nations.

This is not the low, so-called world price which applies to the "dump" or residual sugar of about 5 million tons, some of which comes to the United States. Rather, the FAO is referring to the 57.5 million tons of sugar consumed around the world.

Other evidence of the effectiveness of the Jones-Costigan formula in stabilizing the price of sugar is the fact that an American workman needs to spend less time at his job than a workman in any other nation in the world in order to earn enough to buy a pound of sugar.

A bricklayer in the United States needs to work only 4 minutes to buy a kilogram (2.2 pounds) of sugar.

In England a man must work 20 minutes; in France, 24 minutes; in Italy, 82 minutes; in Russia, 324 minutes.

THE JONES-COSTIGAN ACT HAS WORKED

It is evident that the Jones-Costigan supply management, compensatory payment sugar program has achieved the objectives of its authors.

It has made possible the production, as a matter of national security, of one-half of our sugar needs within the United States without a protective tariff; it has assured consumers of a plentiful and stable supply of sugar; it has kept prices at a reasonable level.

The one-half cent per pound tax imposed on all sugar manufactured or imported into the United States has made the Jones-Costigan program as fiscally sound as the most conservative politician could ask for.

THE SUGAR ACT IS FISCALLY SOUND

Since 1937 there has been a net return to the U.S. Treasury of over $450 million after compensatory payments to domestic sugar producers. This is the difference between the sugar excise tax collections and stabilization payments.

In 1960, for example, the total sugar tax collections were $94,955,473.

The total compensatory payments to producers were $72,985,573.

The net gain to the U.S. Treasury was $22 million.

The Jones-Costigan sugar program is fiscally sound.

COLORADO NEEDS SUGAR ACT

Many times, Mr. Chairman, I have described the value of the Sugar Act to the people of the State of Colorado.

On May 14 of this year I told the Senate how the economy of Colorado benefits from the Sugar Act.

I shall not go into detail here, but I will at least remind the members of the committee that Colorado is the second largest sugarbeet-producing State in the Union.

Sugarbeets produce $70 million in annual income in Colorado.

We have more farms producing sugar beets in Colorado than any other State in the Union.

Colorado's interest in extension of the Sugar Act is considerable.

As a Coloradan I can tell you of the need of our farmers, our processors, and our consumers for stabilizing legislation.

As a Coloradan I can tell you of our pride in the wisdom and foresightedness of our late Senator, Ed Costigan, who fashioned the first sugar program.

It was because Senator Costigan knew firsthand the plight of our sugar farmers, our sugar factories, and our sugar consumers in Colorado that the first Sugar Act was born.

Now, 28 years later, I ask that the Costigan plan be extended so that the people of his State of Colorado may continue to enjoy the good fruits of the wise and practical program he devised.

Senator DOUGLAS. Mr. Chairman, I understand that the W. R. Grace Co. feels that certain implications of the statements of the Senator from Illinois relative to Peru might be interpreted adversely to them, and that they are preparing a statement, not necessarily in reply or explanation, but further developing the issues, and I ask that that, in all fairness be printed immediately following the comments on Peru which I made on Wednesday.

The CHAIRMAN. Without objection. The insertion will be made. (See p. 61.)

The next witness is Oscar L. Chapman, former Secretary of the Interior, representing the Mexican Association of Sugar Producers.

Mr. Chapman, take a seat, sir, and proceed.

STATEMENT OF OSCAR L. CHAPMAN, COUNSEL FOR UNION NACIONAL DE PRODUCTORES DE AZUCAR, S.A. DE C.V. (MEXICO)

Mr. CHAPMAN. Thank you, Senator.

Mr. Chairman, I have brought with me some charts which I thought would help expedite the discussion because of the fact of the limitation of time.

I have briefed my remarks, but I would like to ask that this committee permit me to file a fuller statement for the record.

The CHAIRMAN. Without objection the insertion will be made following your oral presentation.

Mr. CHAPMAN. Mr. Chairman and members of the committee, my name is Oscar L. Chapman.

I am appearing here on behalf of the Association of Sugar Producers of Mexico, which, together with the peoples of Mexico and the United States, has a very vital stake in this legislation.

I realize that time is very short and therefore I have prepared a short statement in outline form which I will present orally.

With the committee's permission, however, I would like to insert into the record a longer statement which substantiates in detail every statement I will make in the oral presentation.

Before getting into the body of my statement, I would like to make three preliminary comments which may serve to bring the remainder of my statement into sharper focus.

First. I do not represent the Government of Mexico in this proceeding, and, therefore, I am not authorized to state the position of that Government. My one and only client here is the Sugar Producers Association of Mexico which I have been representing since 1955, and not solely for the purpose of obtaining a sugar quota, but in other matters for them as well.

Second. Mexico does not appear here asking for aid. On the contrary, as I shall point out in greater detail later, Mexico, more than any other country, appears here as an honest seller to discuss common price and supply problems with the representatives of its largest foreign sugar customer.

Fourth. The Sugar Producers Association of Mexico does not wish to express any opinion on the portion of the House bill designed to give additional relief to the U.S. domestic producers. Nor do we wish to express any opinion on the quota assigned to any particular foreign country, other than Mexico. Our purpose here is to make a positive case for Mexico, not a negative case for someone else. And that means that we are here to try to present a positive case for Mexico for that portion of the market that the domestic producers cannot supply.

The rest of my statement I will present in outline form, merely making bare assertions, as is required by the amount of time allotted to me.

Rest assured, however, that I can support with statistics, history, and reasoning every statement made in this outline, and during the question period I will be happy to do so.

I. The basic purpose of any governmental program relating to sugar is to provide an adequate and continuous supply to the United States at a price which is fair to both the producer and the consumer.

II. Markets for some products, including sugar, must be stabilized if there is to be an adequate supply at reasonable prices.

A. The countries of the world have recognized the validity of this proposition by executing commodity stabilization agreements for sugar, tin, wheat, and olive oil. One is also being considered for coffee.

B. The United Nations recognized the validity of this proposition in 1953 when it issued a report saying:

> Sugar exhibits to an unusual degree the features that make the operation of an unregulated free market undesirable.

C. The United States recognized the validity of this proposition when it signed the Punta del Este Charter, committing itself to help to find a—

solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries. * * *

D. History has shown that without some stabilization of the market, sugar prices and supplies fluctuate greatly from year to year. For example, with an unregulated market, the price dropped from more than 9 cents a pound in 1920, to a little more than 3 cents a pound in 1921; from more than 4 cents a pound in 1923 to less than 1 cent a pound in 1932. On the other hand, since the Sugar Act was put into effect in 1934, the U.S. price of sugar has been very stable.

E. The global quota and price recapture scheme would produce greater market instability and therefore would not provide an adequate supply at reasonable prices.

III. In addition to not accomplishing the basic purpose of governmental sugar programs, the global quota and price recapture scheme would have harmful political and economic side effects as well.

A. It has been stated by proponents of the scheme that it would assure a more stable supply of sugar to the United States, but history does not support this theory.

B. It has been stated that it would save the United States more than $180 million in foreign exchange each year. This is also untrue. In fact, in some years the scheme could increase the cost of the sugar which the United States buys from foreign suppliers by as much as $254 million.

C. Significantly, the proponents of the scheme have not mentioned its effect on the U.S. consumer, but the fact is that it could only increase the cost of sugar to the U.S. consumer because the present program sets both a floor and a ceiling on the U.S. price, while the global quota scheme would set only a floor and not a ceiling.

D. The proponents of the scheme have said that it would improve the U.S. balance of payments position. This is also untrue because—

1. It would in some years cause the United States to pay more for its foreign sugar supplies; and

2. It would reduce the exports of the United States because—

(*a*) It would reduce the ability of the Latin American countries to buy from us; and

(*b*) It would take dollars away from countries which buy most of their imports from us and give them to countries which buy more from others; and

3. It would devastate the economies of several friendly Latin American countries, thereby increasing the need for U.S. assistance.

E. The proponents of the global quota scheme have said that part of the price paid to foreign suppliers should be taxed away because aid can more effectively be given directly than through the Sugar Act. This assertion rests on two assumptions which are largely erroneous.

1. It assumes that the part of the price paid by the United States which is in excess of the world price is unnecessary and, therefore, is in the nature of a gift. This is not true because—

(*a*) Almost 90 percent of the world's sugar is sold at prices in excess of the so-called world price. Most large consuming

nations have found it necessary to pay such premium prices in order to assure themselves of a constant supply even during emergencies.

(*b*) Moreover, such premium prices encourage the producing nations to keep reserves adequate to meet the emergency needs of premium price countries. During years of unexpected high production some of these reserves are dumped on the world market, thereby depressing the price; during years of low production the opposite effect is obtained. By maintaining a stable price the United States insulates itself from the instability of the unregulated market. Therefore, by paying premium prices the United States simply gets what it pays for, that is, an assured supply of sugar at a reasonable price.

2. Even though no part of the sugar price can be considered as "aid," it would be difficult to find a program which more directly benefited the small farmer and the worker. For example, in Mexico—

(*a*) The gross revenues from the sale of sugar are divided as follows: 14 percent for costs of sales, 24 percent to the sugar mills, 19 percent to the millworkers, and 43 percent to the cane growers.

(*b*) Fifty percent of the net proceeds after sales must, by statute, be distributed to cane growers. Last year in Mexico there were 83,000 such cane growers with an average holding of only 9 acres.

F. The proponents of the global quota scheme have also said that it would make it easier for Cuba to return to the U.S. market. This is untrue. Under the global quota scheme all countries, including Cuba, would receive the so-called world price for sugar sold in the United States. Since Cuba now sells its sugar to the Communist bloc at a price in excess of the so-called world price, the global quota scheme would make it more difficult, not easier, for Cuba to return to the family of free nations. Even discounting the higher Communist bloc price, the situation is the same, because if Cuba suddenly sold its sugar on the world market the price would be seriously depressed. In such a case Cuba and all other countries selling to the United States would receive the then ruinous "world market price."

G. The global quota scheme is contrary to the purpose of both the U.S. foreign aid program and the Punta del Este Charter because it would create an unstable market for a basic Latin American export commodity.

1. Our foreign aid officials have frequently recognized that the fluctuation of a few cents per pound in the price of basic export commodities can wipe out any gains that might have been made as a result of U.S. assistance.

2. The Punta del Este Charter states that—

National measures affecting commerce in primary products should be directed and applied in order to: * * * (2) avoid market instability.

IV. The best available means to assure the United States of an adequate supply of sugar at reasonable prices is to continue the country quota and premium price provisions, but to redistribute foreign quotas so that there is no one dominant foreign supplier.

A. This committee has been presented with two proposals: the global quota scheme and the House bill. It is clear that the global quota scheme will create many problems and solve none, and it is equally

clear that the House bill continues a price and supply mechanism that has achieved acceptable results for almost 30 years. Therefore, the basic features of the House bill, I think, should be accepted.

B. Quotas should be redistributed, however, because by taking a large share of its foreign supplies from one country, the United States creates an overdependence in that country on one product and on one customer, and thereby creates serious economic and political problems both for itself and for the supplying country. Therefore, sugar quotas should be redistributed so that there is no one dominant supplier.

V. In any redistribution of quotas it is clear that no matter what factors are considered Mexico should be among the major suppliers. I direct your attention to chart 1.

If you will notice that chart gives you the foreign trade of the United States with principal Western Hemisphere quota countries for a 5-year period from 1957 through 1961.

And they will tell you the trade balance between the two countries.

A. Overall purchases from the United States: Mexico purchases more from the United States than almost all of the other present quota countries combined. In addition, Mexico has an imbalance of trade with the United States for the past 5 years in the neighborhood of $2 billion.

B. Mexico's balance of payment: There are those who think that the deficit in Mexico's balance of trade with the United States is made up by Mexican receipts from tourism and braceros so that in fact Mexico has a favorable balance of payments. Nothing could be further from the truth. In fact, Mexico's balance of payments with the United States has been very unfavorable, and had it not been for Mexico's sugar sales in the United States last year, Mexico would no doubt have had to find some way to curtail foreign purchases, most of which are made in the United States. Thus, not only is Mexico's balance of trade unfavorable but so is its balance of payments.

C. Purchase of agricultural commodities: Chart 2, I want to show you the chart of the quota countries, how they purchase for cash and on aid basis farm commodities from the United States. As you notice Mexico is first there. She has purchased $60 million plus a few dollars from us during that period by direct cash, and $2,102,000 by certain aid programs.

If you follow that down straight through the line, the British West Indies bought $38,472,000 with direct cash, and $858,000 by aid.

You follow that straight through and you will see that Mexico's cash position in purchasing from the United States is greater than any other country in Latin America that has a quota.

D. U.S. balance of payments: Nearly 80 percent of Mexico's foreign purchases are made in the United States, of all of her foreign purchases. This is a much higher percentage than any other country. Therefore, sugar dollars paid to Mexico create more exports for the United States and contribute more to solving the U.S. balance-of-payment problems than those paid to any other country.

Once again I would like to thank you for the opportunity to appear here and express the views of the Mexican sugar industry which I have represented for many years, not only in connection with sugar quotas, as I have indicated, but also for all its other legal business in the United States.

I know that this committee is very pressed for time and so this opportunity to appear and your courteous attention are doubly appreciated.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Chapman.

Any questions?

Senator MORTON. Mr. Chairman, I have some.

Mr. Secretary, going back to your first chart there, the one that showed——

Mr. CHAPMAN. That is the 5-year total.

Senator MORTON. Yes.

As I recall it, you indicated that even with tourism, so far as Mexico is concerned, the balance of payments including tourism were unfavorable.

Mr. CHAPMAN. It still would be, yes. Obviously, the tourism helps in every country. It always helps.

Senator MORTON. Yes.

Mr. CHAPMAN. But even that does not give them a favorable balance of payments.

Senator MORTON. What do you estimate our annual tourism in Mexico? Is there any accurate way of estimating it?

Mr. CHAPMAN. You can get a fairly good accurate estimate on that, I think, Senator. It is possible—it is probably, if I remember those figures correctly, about $600 or $700 million.

Wait, I have it here: Income from tourism is $546 million in 1957, $707 million in 1961. That would still leave us with an unfavorable balance of payments.

The total exports in 1957 were $1,315 million, and in 1961 were $573 million.

Senator MORTON. What is the history of our, in terms of tons or any other figure that you can correlate, the history of our imports of sugar, from sugar, over, let's say, the past 10 years or 12 years?

Mr. CHAPMAN. I remember, Senator, back in 1955 when the sugar bill was under consideration at that time Mexico only had 11,000 tons in this market, only that total. Since that time, the law of 1956, the Senate saw in its wisdom to grant us an increase, a moderate increase, so that it has been brought up to approximately 80,000 to 85,000 tons at the present time on our basic quota.

But in addition to that, when the redistribution of the Cuban quota came—became effective, Mexico shipped last year 680-some thousand tons, which covered the redistribution of the quota.

The problem there, Senator, was simply one of the Department of Agriculture being able to find a source of supply on such a short notice of time, and being able to get the supply available to us.

That was the real problem, and they did produce, both last year and the year before, they had that much actual reserve.

Senator MORTON. Yes; I realize that after the Cuban situation developed, that we were fortunate to find as nearby as Mexico an adequate supply of sugar. But I was wondering about the basic—the history of the basic quota.

In the 1948 act, Mexico was specifically mentioned.

Mr. CHAPMAN. In 1956 Mexico was specifically given a substantial quota.

That was in 1956. She had previously to that only 11,000 tons which was, I think, mostly token. But after the 1956 act they gave her an increase that gradually increased a little bit each year and participated in our increment growth of the market here.

Senator MORTON. You said, Mr. Secretary, the Senate put it in. Did the House put it in?

Mr. CHAPMAN. Well, both agreed to it, of course; I didn't mean to distinguish between them.

Senator MORTON. They put it in first?

Mr. CHAPMAN. I think they did put it in; yes.

Senator MORTON. I was managing the bill then for the Department and I remember it was over my objections that it was done.

Mr. Secretary, I have been the victim of an unfriendly press in my State and there have been some stories going around in a certain Washington newspaper which has linked your name into the story, and just to give you a chance to straighten certain matters out, I am sure that your relationship with your client is not on a contingent basis based on the tonnage of sugar?

Mr. CHAPMAN. Yes, partly.

Senator MORTON. Partly?

Mr. CHAPMAN. Partly, yes.

Senator MORTON. I felt if you had any comment, I don't want to press this——

Mr. CHAPMAN. That is all right.

Senator MORTON. If you had any comment to make I want to give you an opportunity to publicly state it. I rarely in Kentucky get an opportunity to answer mine except by radio, buying radio time.

Mr. CHAPMAN. I appreciate that, Senator.

The contract we have is a basic contract for a flat fee and then a small additional fee on increased tonnage. That is filed with the Justice Department that require filing for all people who lobby any legislation. But, as I said to you before, I do much work for these people that has nothing to do with this legislation.

Senator MORTON. That is all, thank you.

Mr. CHAPMAN. I realize that.

Senator MORTON. That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Senator FULBRIGHT. Well, this filing with the Department of Justice, what is required by that law?

Mr. CHAPMAN. It is required that you file your contract that you have with any foreign clients.

Senator FULBRIGHT. Is that public knowledge?

Mr. CHAPMAN. It is public knowledge to everybody. It has been there since 1956 or 1955.

Senator FULBRIGHT. Well then, to clarify the record so there will be no misunderstanding, you did file?

Mr. CHAPMAN. Oh, yes, we always did.

Senator FULBRIGHT. What year did you first file?

Mr. CHAPMAN. We filed in 1955.

Senator FULBRIGHT. In 1955?

Mr. CHAPMAN. Yes.

Senator FULBRIGHT. What did that contract provide?

Mr. CHAPMAN. That contract provided for a basic flat fee.

Senator FULBRIGHT. Of how much?

Mr. CHAPMAN. I have forgotten what it was, Senator, but I think it was $20,000 plus expenses.

Senator FULBRIGHT. At that time how much was the quota of Mexico?

Mr. CHAPMAN. 11,000 tons.

Senator FULBRIGHT. And it is now how much?

Mr. CHAPMAN. Between 85 to 90, I believe is the exact tonnage of the basic quota, Senator.

Senator FULBRIGHT. Is your fee based upon, as you say, the increase in the tonnage, the more tons you get the more fee you get?

Mr. CHAPMAN. Not of that, no. None of that was included in that.

Senator FULBRIGHT. That is what I didn't understand.

Mr. CHAPMAN. That was not in that case but I want to be absolutely correct to Senator Morton.

My second contract that has been filed—you see I had a 4-year contract beginning in 1956 or 1955 which called for a flat fee.

Now, after that we had a renewed contract in which it does call for a small percentage on tonnage.

Senator FULBRIGHT. Has that been filed?

Mr. CHAPMAN. Yes, sir. Everything.

Senator FULBRIGHT. Now, in 1956 was Mexico an exporter of sugar——

The CHAIRMAN. Will the Senator yield?

Senator FULBRIGHT. Yes.

The CHAIRMAN. The list I have here is that Mexico has 200,000.

Mr. CHAPMAN. That is the new one, I think, Senator.

The CHAIRMAN. No, a basic quota.

Senator MORTON. Under this bill.

The CHAIRMAN. Under this bill, and then it is allocated 150,000 more tons for the 1,500,000 of Cuban sugar?

Mr. CHAPMAN. Yes.

The CHAIRMAN. That makes 350,000 tons under the House bill?

Mr. CHAPMAN. That is correct.

The CHAIRMAN. Is that correct?

Mr. CHAPMAN. That is correct. But the percentage in my contract does not include any temporary allocation of the Cuban sugar, nothing but the basic quota.

Senator FULBRIGHT. The basic quota today is 80,108 short tons, isn't it?

Mr. CHAPMAN. I think so.

Senator FULBRIGHT. Who knows better than you?

Mr. CHAPMAN. I think that is what it is.

Senator FULBRIGHT. That is what I thought.

In 1956, according to the Agriculture Department, Mexico was a sugar importer, is that right?

Mr. CHAPMAN. No.

Senator FULBRIGHT. Are you sure?

Mr. CHAPMAN. I am positive.

Senator FULBRIGHT. Did she have a surplus?

Mr. CHAPMAN. She was shipping on the world market.

Senator FULBRIGHT. Do you know how much?

Mr. CHAPMAN. I don't have the figures before me, Senator, but I would like to supply that for you for the record.

(The following was later received for the record:)

Mexico—Exports, imports, and surplus, 1955 to 1961

[Thousand short tons, raw value]

Calendar year	Exports	Imports	Net exports	Surplus end of year
1955	87.7	0	87.7	232.5
1956 [1]	37.5	34.4	3.1	110.9
1957	103.3	18.1	85.2	268.0
1958	206.2	0	206.2	275.2
1959	148.0	0	148.0	552.9
1960	508.7	0	508.7	487.8
1961	672.7	0	672.7	180.0

[1] 1956 production substantially reduced by natural disasters: hurricane, floods, and drought.

Source: International Sugar Council Statistical Bulletins, vol. 19, No. 1; vol 21, No. 4.

Senator FULBRIGHT. Well; between 1956 and 1959 was the production of sugar in Mexico increased?

Mr. CHAPMAN. Slightly.

Senator FULBRIGHT. Well, according to the Department of Agriculture in 1956 it was 900,000 tons and rose to 1,731,000 in 1959.

Do you call that slightly?

Mr. CHAPMAN. Well, I say slightly when you have got to consider the growth factor of their own market.

Senator FULBRIGHT. It doubled?

Mr. CHAPMAN. For their own market, too.

Senator FULBRIGHT. But was this not in response to the possibility of getting into this market?

Mr. CHAPMAN. I don't think that was necessarily in response to this market, Senator.

Senator FULBRIGHT. Wasn't part of your duties, and I, of course, now I have great respect for you, but I am interested in the economics of the sugar bill, I don't care what you get.

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. But just as an illustration of the way it works. You were employed to obtain a higher quota?

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. According to the Department of Agriculture, I wouldn't say they are always correct, but they have some vague idea of these things.

Mr. CHAPMAN. Oh, yes.

Senator FULBRIGHT. The production rose from 900,000 tons to 1,731,000 tons in those 3 years and this was while you were endeavoring to get a bigger share of the American market; isn't that correct?

Mr. CHAPMAN. Most of that increase was before Cuba was ever out of the market, Senator.

Senator FULBRIGHT. But it was your purpose, and the reason they hired you, which is perfectly legitimate to get, I believe in your original contract it stated that it was your purpose to get, 2 percent of all U.S. sugar consumption.

Mr. CHAPMAN. That is what we asked for.

Senator FULBRIGHT. That is right.

Mr. CHAPMAN. We asked for it.

Senator FULBRIGHT. That was your objective; it is perfectly legitimate.

Mr. CHAPMAN. Sure, that is right.

Senator FULBRIGHT. I only wanted to show that what happens here under the operations of this act is that Mexico is not doing a thing different from others and you are not either, but the economics of this and with this prospect of this enormous handout from the American Treasury this puts an irresistible pressure upon all of these countries to do just what you have done, which is to increase their quota, and it also has increased their production, almost doubled it, within this short period, isn't that true?

Mr. CHAPMAN. Well, it was primarily to help their own economy.

Senator FULBRIGHT. Sure.

Mr. CHAPMAN. Increase it.

Senator FULBRIGHT. I don't question that at all. I am only trying to get the facts of the way.

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. This bill operates.

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. But this kind of method which is quite different from any other agricultural commodity.

Mr. CHAPMAN. I agree with you. It is different from any other.

Senator FULBRIGHT. Sure it is. So with this vast increase, nearly double, you were prepared when the Cuban thing broke to supply the market.

Mr. CHAPMAN. That is right, they had over 500,000 surplus stored at that time.

Senator FULBRIGHT. However, as I say, the Department of Agriculture, according to my information, said that before 1956, Mexico was not a substantial exporter.

In fact, it says it was a sugar importer.

Mr. CHAPMAN. That is correct, but not importer. They were not.

Senator FULBRIGHT. Not an exporter?

Mr. CHAPMAN. No.

Senator FULBRIGHT. So as a result of the operations of this bill we have there created, increased and created both there as we have at home an artificial industry dependent upon this premium price at the taxpayer's expense and that is about it, isn't it?

Mr. CHAPMAN. Senator, let me put it in what I think is proper perspective on how you discuss it.

Here the United States was depending on one principal supplier, Cuba, for almost half of its needs, sugar needs. I think it is perfectly sound and safe policy for the United States to say we will purchase and divide our needs for sugar among many of our Southern friends, rather than just to depend upon one country as we have been doing in Cuba.

Senator FULBRIGHT. The administration's bill is to throw this market open and depend on anybody that can produce it at the lowest price, that makes the whole world available as a possible market, doesn't it?

Mr. CHAPMAN. Well, Senator, I can understand exactly what you are saying because I lived through that during the twenties and the

thirties when I saw the sugar industry of Colorado go completely into chaos and had it not been for the great ingenuity of a man like Frank Kemp, they would never have saved the industry.

Senator FULBRIGHT. The same thing was true with the cotton problem when it went to 5 cents but we never solved the cotton problem like we do with the sugar bill.

My only question is why don't we do it by assisting it in the same way that cotton, tobacco, wheat and rice are done?

Mr. CHAPMAN. Well, Senator, this bill has worked so well over the years, I just don't see how you can compare it.

Senator FULBRIGHT. Worked well for whom? Mexico?

Mr. CHAPMAN. For the supplier and the consumers.

Senator FULBRIGHT. And for you, it has worked well for you, I can understand your interest in it.

Mr. CHAPMAN. Oh, yes, I have an interest, but, Senator, there is another interest I have in this.

Senator FULBRIGHT. You have indicated an interest.

Mr. CHAPMAN. I have another interest in this. I have to give you a little history. I happened to work with Senator Costigan who wrote and drafted this original bill in 1933, I spent many hours with him working on this bill to try to establish a bill that would stabilize the sugar market and sugar industry of the United States, and the man in this city who knows more about these details, and the purposes of the original bill is Dr. Bernhardt who is here today, who worked with Senator Costigan the Secretary of Agriculture in trying to develop a bill that would stabilize the sugar industry of the United States and at a reasonable price. It was through his own ingenuity and Marvin Jones, Congressman Jones from Texas who worked out the plan on these incentives for the small payment, processing tax payment, on it.

Senator FULBRIGHT. This bill was really modeled after the NRA, wasn't it, during a period of extreme depression in this country? It had many of the same aspects of the NRA. The NRA was declared unconstitutional and thrown out, wasn't it?

Mr. CHAPMAN. NRA had quite a different basis, Senator, from this.

Senator FULBRIGHT. Generally speaking, they were identical.

Mr. CHAPMAN. I think their desire was the same but in method of operation they did not work. But this bill has worked and I think it has worked to the benefit of the industry at home and to the benefit of the suppliers abroad whom we have to get sugar from.

Senator FULBRIGHT. You wouldn't say it has benefited the consumers and taxpayers, would you?

Mr. CHAPMAN. Let's examine that.

It has benefited the consumer and taxpayer to this extent. They have had a stable market within a very fraction of a marginal fluctuation of a price and that is worth an awful lot to a consumer and to the other people. I know——

Senator FULBRIGHT. Not if that is—not if that price is as high as, for example, in Mexico. Is it not true the retail price in Mexico today, is twice as much in the United States as it is in Mexico?

Mr. CHAPMAN. I am sure it is.

Senator FULBRIGHT. What is the benefit of having an excessively high stable market?

Mr. CHAPMAN. The value is getting your supplies when you need it. If you throw this open to the world market, Senator, I am con-

vinced in my own experience with this you are going to see a completely devastated domestic industry, the sugar industry, forgetting Mexico.

Senator FULBRIGHT. Why couldn't we protect it the same way we do other domestic industries if they need it?

Mr. CHAPMAN. Well, that is something for Congress to talk about to see if they want to do it. This has worked so well and I think at a minimum cost.

Senator FULBRIGHT. Did you say to the Agriculture Committee in the House, and I quote, I want to know whether this is a correct quote or not—

The executive branch should be insulated against these pressures—

that is from the lobbyists—

by allowing the Congress to allocate quotas among the foreign suppliers as it always has done in the past.

Mr. CHAPMAN. That sounds like what I have said, it is.

Senator FULBRIGHT. You say it is?

Mr. CHAPMAN. I believe that.

Senator FULBRIGHT. Why do you say that?

Mr. CHAPMAN. I say it for this reason. I think it is much more stable for the countries that you are going to get your supplies from to have a basic law to set exactly how much they are going to get for the next 3 or 4 years, rather than to have an administrative change overnight over within 1 year. You go to your departments, your various departments and you get an administrative decision. It may be for 1 year or it may be for 6 months. You don't know how long you will get it. But if you get a basic law then you have got a chance to develop your industry on the basis of what Congress says you can do.

Senator FULBRIGHT. Well, the implications from this is that the members of the House Committee on Agriculture are more immune from pressure from lobbyists than the executive branch.

Is that what you mean?

Mr. CHAPMAN. Senator, I don't think anyone is immune from people contacting you and asking you about discussing the merits of anything that they think is justifiable.

I don't think anyone is immune from it. I didn't find that I was immune when I was in the Department.

Senator FULBRIGHT. Well, it is much more profitable to be on the other side than it is in the Department in any case, isn't it?

Mr. CHAPMAN. Well, not always. Not always, sir.

Senator FULBRIGHT. I don't have any more questions.

That is all.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Chapman.

Senator MCCARTHY. I have just one question.

I would like the comment of Mr. Chapman as to the bearing of the sugar program on the balance of payments and flight of gold, with reference to some of the statements that have been made to the effect that if we adopted the global quota idea that the balance-of-payments situation might be improved and the flight of gold be discouraged.

Do you have an opinion on that general problem?

Mr. CHAPMAN. As to whether the flight of gold would be precipitated more by this method?

Senator MCCARTHY. Well, the general question of the balance of payments would be improved or whether that would tend to deteriorate.

Mr. CHAPMAN. Well now, let me read you a little memorandum I have here separate from my statement that I prepared on the basis of this balance of payments on the global quota basis and the present basis.

Senator, I have here this prepared statement on this point and I want to read it to you, because it will give you an idea of what I think is correct. I may be wrong, and when I say I may be wrong I want—I don't have to tell you, I enjoyed this morning's session to see such a distinguished body of men have so many different points of view and yet understand you had to work to get something out and I was enjoying it this morning to see this debate between the committee here on these points of view and it is wonderful when people can have a different point of view; even if they differ with their friends, you have to give at least credit for honest conviction of people.

Now, in understanding the extent to which the global quota plan would contribute to the solution of our balance-of-payments problem, we must keep firmly in mind the fact that three items are involved:

First, you must consider the exact amount by which the scheme would reduce our payments to foreign countries.

It seems to me that the administration has overestimated this.

Second, you must consider the amount by which foreign countries will be forced to reduce their purchases from the United States because of their reduced income from sugar.

It seems to me that this has not been considered at all.

Third, you must consider the extent to which U.S. foreign assistance would be increased in order to make up for the reduced income of sugar-producing countries. I think that when all of these factors are considered any fairminded person would have to conclude that the possible balance-of-payments benefits have been grossly overestimated while the danger of creating further balance-of-payments difficulties has not been even mentioned.

But you should not accept my word on this matter any more than you should accept someone else's. Instead let us look at the facts.

First, let us consider the amount by which our payments to foreign countries would be reduced by the global quota plan.

The administration has estimated $180 million.

But if we analyze this figure we find it equals the total tonnage imported in 1961 multiplied by the average difference between the world and the U.S. prices for that year.

What you have not been told is that in that year the difference between the world price and the U.S. price was higher than any year since World War II.

That, in fact, in most years the difference is much less than that and in some years the average world market price is higher than the U.S. price.

Thus in the years 1948, 1949, and 1957 the difference was negligible, and in each such year less than $15 million, not $180 million, would have been saved.

Moreover, in 1950, the world market price was higher than the price in the United States, and so the global quota scheme would have cost the United States about $1 million that year.

But in 1951, the loss would have been even greater amounting to about $40 million.

Thus, it can be seen that in some years the global quota plan might effect a reduction in payments amounting to as much as $180 million.

In most years a much smaller reduction would be realized and in some years we would even suffer a loss.

The important point here is that it is no more accurate for someone else to tell you that the scheme would save $180 million than it would be for me to say that it would save less than $5 million.

Now, let us look at the extent to which the U.S. exports might be reduced as the result of the decreased purchasing power of sugar exporting countries.

Let us assume, for example, that the global quota scheme is put into effect and that in 1964 this results in the reduction of payments to foreign producers of $50 million.

Let us also assume in order to simplify the problem, that all of this loss of income was suffered by Mexico, which is the country I know best.

Obviously, if Mexico's income were reduced by $50 million it would have to reduce its expenditures abroad by the same amount.

Since 80 percent of its total expenditures abroad are made in the United States, its purchases from the United States would have to be reduced by 80 percent of $50 million, or $40 million.

Thus under the facts assumed, the global quota plan would cause a reduction of $50 million in the amount paid to foreign countries, and a reduction of $40 million in the amount earned through exports to those countries resulting from this reduction.

Does that answer your question on that point?

Senator McCarthy. It is a response to my question in any case.

Do you have an opinion as to what countries would really supply sugar to us if we were to proceed under the global quota and without specific allocations? Would sugar come from essentially the same countries that are now covered in the House bill?

Mr. Chapman. If it were thrown open to global quotas without any incentive payments, I suppose you would get it partly, mostly, from the same ones. But your problem would be the price fluctuation in the market.

That would absolutely destroy any stability in the market, if you threw it open that way.

Senator McCarthy. The proportions taken by the countries listed here for allocations would be different, but the suppliers would be essentially the same countries, would they not?

Mr. Chapman. But they would have difficulty in supplying at a world price in most cases.

Senator McCarthy. Is there any pattern or do you think it is possible to develop any with regard to the wages that are paid the sugar workers in making these allocations? This would be in keeping, I think, with the general purposes of the Alliance for Progress. It would, at least, indicate a concern on the part of this committee over the point which has been made time and time again against our for-

eign aid programs, namely, that we do not get through and help the people who are most seriously in need.

What is the situation with regard to—you gave some figures about the number of small farms involved in sugar production in Mexico.

Do you have any statistics as to, say, hourly or weekly or annual income of sugar workers?

Mr. CHAIRMAN. Yes, I have, Senator. I have some information on that.

Let me say that I do not know whether this was distributed or not. It carries a very brief analysis there of how the dollar is divided up that goes to Mexico, and this only applies to Mexico.

It shows you that 43 percent of this goes to the cane growers. In Mexico the cane grower is a little man who owns approximately an average of 9 acres of ground, and he produces that himself.

Under the law of Mexico that cane producer, the litle man who owns the land, gets 50 percent of the net income from the sale of sugar after the cost of the distribution of sales is taken out. He gets 50 percent. It has to go to him. Then you have got your sugar mill workers.

If you want to know about the cost of the sugar mill workers—the price you pay for labor—it varies on a basis depending upon the skills simply the same as it does here.

But, bear this one thing in mind. A labor contract in Mexico carries the weight of law when it is once signed and, therefore, if they have signed, this union has signed, a contract for 2 years, it will be up for renegotiation again this year, and the labor man in that case, and when I say the labor man I'm trying to distinguish between the little growers—the labor man in the mill is paid an average daily wage of $1.64 a day to $10 a day, varying with the skills to which he is assigned. I think the average is $3.20 a day. That is what it averages out on the millworkers.

Senator MCCARTHY. Am I to conclude that at least 50 percent of the subsidy we pay will go to the small grower?

Mr. CHAPMAN. Oh, yes.

Senator MCCARTHY. Because he receives 50 percent of the sugar distribution dollar?

Mr. CHAPMAN. You see, you have 83,000 growers who own this average 9 acres that I talk about; 50 percent of all of this under the law has to go to them.

Senator MCCARTHY. Do you know whether there is available any place a comparative report which would give comparisons of the size of the holdings in the various countries to which quotas are being allocated? Is this included in your report?

Mr. CHAPMAN. I do not have the statistics of the various countries on landholdings, Senator. Some countries have specific land laws that limit the number of acres, and I do not know, I do not have any statistics that could justify my answering that directly.

Mexico is the only one that I know which has as good a distribution of land as this from the little farmers point of view.

Other countries, some of the other countries, have some land distribution and small acreage.

Senator MCCARTHY. Thank you.

Senator DOUGLAS. Would the Senator yield?

Senator MCCARTHY. Yes.

Senator DOUGLAS. I have been collecting figures on this subject for the last year. I think it is true that the distribution of landholdings in Mexico is wider than in almost any other Latin American country.

A study in 1961 showed that 66 percent of the total production came from farms with less than 7 acres planted, and the average holding, as Mr. Chapman has said, of the cane growers is less than 10 acres.

But there is a question, I think, on the wages of the fieldhands on the larger acreage.

I collected figures on that, and I would like to check them with Mr. Chapman. The figures which I have show that the wages for fieldhands that would apply in the larger plantations ranged in 1959 from 96 cents a day to $1.60, and assuming an 8-hour day, that would be from 12 to 20 cents an hour, and this was unchanged in 1960 and unchanged in 1961.

So far as the field hands were concerned—and I grant that they would be on a minority of the land—reallocation of the Cuban quota in favor of Mexico did not help them, however much it may have helped the small independent growers or however much it may have helped the collectives.

Would you wish to comment on that?

Mr. CHAPMAN. Yes, Senator. I would like to, first, give you a slightly different basis for your assumptions.

The first is that there are no large landholdings in Mexico. There are no land-producing places in Mexico that have any large holdings. Even the mills themselves are not allowed to have landholdings to produce sugarcane. It is only to the small——

Senator DOUGLAS. The maximum landholding is 300 hectares, is it not, or 740 acres?

Mr. CHAPMAN. I think that is correct. But there are very few of those.

Senator DOUGLAS. I put these in for what they are worth.

Mr. CHAPMAN. That is correct.

Senator DOUGLAS. Mr. Chairman, if I might ask another question——

Mr. CHAPMAN. May I answer one further question?

You raised the question about the labor of the hands. Now, the question that I answered a moment ago to Senator McCarthy was that they are paid a minimum of $1.64 a day.

Senator DOUGLAS. That is in the mills.

Mr. CHAPMAN. Both the canecutters, too; that is, the canecutters, both of them. I did not say that when I said that to him. I missed that point, and that averages up to total of $3.20 a day.

Senator DOUGLAS. Yes.

Mr. CHAPMAN. As I told you, the contract, they have to renew this contract every 2 years, and renegotiate these prices.

Senator DOUGLAS. There is one further question I would like to ask, dealing with the windfall profits of 1961.

Mr. CHAPMAN. Yes.

Senator DOUGLAS. We suspended the purchase of sugar from Cuba in 1960.

Mr. CHAPMAN. That is right.

Senator DOUGLAS. And immediately in the latter months of 1960 and the early months of 1961 began to make good the Cuban deficit by purchasing from other countries.

The figures which I have obtained from the Department of Agriculture and the State Department indicate that in 1961 while the quota for Mexico was only 95,000 tons, that the nonquota purchases amounted to 589,591.

Mr. CHAPMAN. That is correct.

Senator DOUGLAS. That is approximately correct?

Mr. CHAPMAN. That is correct, sir.

Senator DOUGLAS. Of course, this was sugar that had been produced in the past obviously, and had been stored.

Mr. CHAPMAN. They had over a half million surplus in storage, Senator.

Senator DOUGLAS. Now, then, they received a bonus above previous prices, according to my figures, of $2^{45}/_{100}$ cents per pound, or $49 a ton, and this on almost 600,000 tons would come to just a little short of $30 million.

Mr. CHAPMAN. Yes.

Senator DOUGLAS. This was a windfall which was given to those who held sugar in storage. I am not making any moral judgment on this, but I just want to point out that it was highly fortunate for the recipients.

Mr. CHAPMAN. Senator, I get an impression in your question that because it was stored as a reserve that the growers did not get it. But the growers got their 50 percent of this even though it had been in storage.

Senator DOUGLAS. Well, hadn't they been already paid?

Mr. CHAPMAN. No, that is paid—they get it anyhow. They get 50 percent of the net; when you deduct the sales costs, they get 50 percent. I am talking of these 83,000 growers.

Senator DOUGLAS. You mean when the sugar is paid for, or is it appraised at the market price at the time the sugar is stored?

Mr. CHAPMAN. No. The sugar, when it is stored like that and kept in reserve, each of those farmers gets his receipt the same as you would in a warehouse, and when it is sold he gets his share of that just like the others.

Senator DOUGLAS. So that the growers got $15 million of this, and the others, what would this be, the mills, who would these be, the mills and the wholesalers, the exporters would get the other $15 million?

Mr. CHAPMAN. The mills and the producers and the workers in the fields. It is all divided up on a work-cost basis.

Senator DOUGLAS. I mean the sugar has been produced, the processing has been carried out, it is stored.

Mr. CHAPMAN. Yes.

Senator DOUGLAS. And now you are saying it is applied retroactively to the producers, they get half of this, and then the other half must go to the mills?

Mr. CHAPMAN. And to all other costs.

Senator DOUGLAS. And wholesalers and exporters?

Mr. CHAPMAN. And all other costs involved in transportation and everything.

Senator DOUGLAS. That is not involved in this really because this is really the difference between the world market price and the domestic price; if this sugar had been sold on the world market, transportation costs would be comparatively more anyway.

Mr. CHAPMAN. Well, if you look on this page, I think it is the third page of this little booklet, you will see how it is broken down on a percentage wage basis.

Senator DOUGLAS. I want to say I think the agrarian reform in Mexico has gone further than in any other foreign country, and I have always thought the Mexican Government deserved a great deal of credit for this. But I simply want to point out the extraordinarily generous treatment which we have given to the Latin American countries.

My figures are correct, if I may turn to another country—and I think the representatives of Peru are here—Peru in 1960 not only had a quota of 121,000 tons but nonquota of 514,870 tons, and this after $49 a ton amounted to a windfall of about $25 million. I do not think that Peru has an agrarian distribution law comparable in any respect to Mexico, and when the representatives of Peru take the stand, I presume this afternoon, Mr. Chairman, this would be one of the questions that I should like to ask them, and I will throw this out so they may be prepared in advance to deal with it.

But the point I want to make is this, that when we redistributed the Cuban quota, we gave an enormous bonus to these Latin American countries.

Mr. CHAPMAN. Oh, yes.

Senator DOUGLAS. But this did not develop any gratitude on their part toward the United States. It merely increased their appetite and their rapacity for more, even though they were told that this was only temporary. Now they are coming in and claiming that this should be permanent. I am not criticizing you, Mr. Chapman, in the slightest.

Mr. CHAPMAN. Mexico has not.

Senator DOUGLAS. You have a better claim than any other, but in defense of the American consumer I want to point these things out.

Mr. CHAPMAN. I want to point out to you that Mexico is not asking that the Cuban quota be made permanent in any of my testimony.

Senator DOUGLAS. No. But, look, what is Mexico getting?

Mr. CHAPMAN. 150,000 tons on the so-called temporary.

Senator DOUGLAS. Under the House bill 200,000, is it not?

Mr. CHAPMAN. 200,000 of that would be basic quota and permanent.

Senator DOUGLAS. That is an increase in itself.

Mr. CHAPMAN. Oh, yes.

Senator DOUGLAS. And then there is an increase in the basic. Once you get that increase in the basic of 150,000 tons for 5 years—for 5 years, let me repeat—aren't we going to build up vested interests, and when we come to the renewal of this act 5 years from now, will not, either you or your successor as a representative of Mexico, say, "Now, you encouraged us for 7 years, you cannot take this away from us." Isn't that true?

Mr. CHAPMAN. Senator, what I have advocated for, and I advocate here again, is this law should be reviewed every so often for the purpose of redistributing these quotas.

Senator DOUGLAS. But once you build up—you see, we are in trouble now for 2 years when we have followed this temporary policy, and everyone is saying, "You have done it for 2 years; you cannot let us down."

Now, the proposal is to renew it for 5 years more, or for a total of 7 years, and we are having trouble enough now to get this changed.

Look at the number of people in this room. We are having trouble enough now to get it changed. Can you picture what we will have 5 years from now?

Mr. CHAPMAN. But you need——

Senator DOUGLAS. Mr. Chapman, last year when the Finance Committee by unanimous vote recommended that this bonus for foreign producers be removed——

Mr. CHAPMAN. Yes.

Senator DOUGLAS (continuing). By a unanimous vote, which is almost unheard of in this Finance Committee—everyone voted for it—we went out on the floor and we thought——

Senator MORTON. It hurt me to vote with you, but I did. [Laughter.]

Senator DOUGLAS. We went out on the floor and we were beaten. We were beaten in part by the fact that the State Department, under the influence of Mr. Mann, who is now the Ambassador to Mexico, opposed us; but we were also beaten by the pressure of the foreign sugar producers, and it is literally true—and we kept some account of the arrivals in National Airport—it is literally true that the business of Pan American Airways increased enormously when people flew up from Latin America. They descended upon Washington as locusts, as the 17-year locusts. [Laughter.]

Mr. CHAPMAN. Senator, let us increase that so they come more often.

Senator DOUGLAS. You were already here.

Mr. CHAPMAN. Let us have them come more often because we like them. Don't wait 17 years.

The CHAIRMAN. Thank you very much, Mr. Chapman.

Senator FULBRIGHT. Mr. Chairman, is the Senator through?

Senator DOUGLAS. Yes.

Senator FULBRIGHT. Just one question.

You were speaking about the House, Congress, being under pressure. You will admit that as a former distinguished member of the Cabinet that the primary responsibility for foreign policy under the Constitution and by practices in the executive, in the President, is it not?

Mr. CHAPMAN. That is right.

Senator FULBRIGHT. You would not be advocating that the House Committee on Agriculture take over that function, would you, sir?

Mr. CHAPMAN. Not at all.

Senator FULBRIGHT. Isn't it true, along the lines of the questions of the Senator from Illinois, that the policy of this country, foreign policy, is to bring Cuba back into the free world and to rid it of the Communist dictatorship; is that not so?

Mr. CHAPMAN. It ought to be, if it is not their policy.

Senator FULBRIGHT. Do you have any doubt about it?

Mr. CHAPMAN. Not at all. I think it is.

Senator FULBRIGHT. Now, in following this bill and giving Mexico, one of its strong neighbors, and other neighbors there, these vested interests in it, in the Cuban sugar, aren't you building an almost impenetrable wall against any such movement? Every one of these sugar producers will oppose and do everything they can to keep Castro in power, wouldn't they? You know they will, don't you?

Mr. CHAPMAN. Let me give you a full answer to that—let me give you a full answer to that. Castro has been able to use this sugar

quota thing against the United States from the day he came in. One of his first public announcements he said that Cuba is nothing but a sugar colony of the United States, and that we in the United States were dependent for over 55 percent, at least 50 percent, upon the production of sugar in Cuba, one little country alone, for our supply of sugar to this country.

I advocated in 1955 in my testimony that this is not sound for America. I think you should divide this sugar source of supply with the other Latin American friends who need our help as well as the country of Cuba.

Senator FULBRIGHT. That is not responsive to my question. The question is that every one of these countries that is dividing this up has a vested interest against the return of the Cuban quota.

Mr. CHAPMAN. I do not think so, Senator.

Senator FULBRIGHT. Come now.

Mr. CHAPMAN. Actually, they are going to benefit from it.

Senator FULBRIGHT. Of course. Do you think they would give up, what was it, $30 million a year premium in order to get rid of Castro?

Mr. CHAPMAN. It is just like accusing the munitions makers for benefiting from war, and that he wants to encourage it. I do not think that is a good comparison here because I think these countries have their own interests to try to protect it just like the industry of the United States.

I think this bill is good for the United States, and all I am asking for is to give Mexico a reasonable break out of the quota of the part you have to buy from other countries.

Senator FULBRIGHT. Don't you think because of the President's responsibility in foreign policy that he has made this point—the administration has—that this consideration ought to be given by this committee and the Congress; the President—that is, the administration—and his representatives have made this point that this would create an obstacle to the evenual return of Cuba to the free world?

Mr. CHAPMAN. Well, Senator, I think the friends of this administration have a right to point out when we think they are making a mistake, and I think they are seriously making one here.

Senator FULBRIGHT. That is all.

The CHAIRMAN. Thank you very much.

Senator MORTON. Mr. Chairman, may I have just one question, and I do not mean to delay it. I want to get this question in while the professor on economics, who is the adviser to this committee, is here. [Laughter.]

Senator DOUGLAS. I lost that title when I went into politics. [Laughter.]

Senator MORTON. In any event, you still advise us. We do not often follow your advice, but you still advise us.

You make the point, Mr. Secretary, that we would have a more stable world market on sugar if we followed the philosophy of the House bill rather than purchase on the free world market.

Now, I point out, and I studied economics, although I never got a graduate degree and never taught, and that is why I ask this question of my colleague here, but isn't it true that on a free world market on any commodity that it is the surplus that breaks the price, if it is broken, and isn't it also true that if we had the ability, the freedom,

to buy this sugar on the free world market, when soft spots develop, when the Communists, through purchases from Cuba, were trying to break the world market, if we could step in then and buy a couple of hundred thousand tons, I think we would have a more stable world market than we would have under this limitation requiring us to go to certain countries for sugar?

Mr. CHAPMAN. I think, Senator, on a short-range problem for a number of years you are probably right. But taking it in a long range where these various industries and the growers of sugarcane and sugarbeets, whichever it may be, they need a planning program and a time to determine how far they can go in their industry and what their prospective market is; they need a good planning program, and I think in the long run you will find it does not work.

If you go back to 1920, during that period, Senator, the market was all to pieces, and the sugar industry of America was almost in chaos, and we saw them go down day after day because somebody would dump sugar on the American market and ruin the price of our domestic sugar people, and if you leave it open to free world purchases of sugar wherever you want to, I think you are going to ruin the domestic industry of America.

I am serious about that and I believe it. It has nothing to do with Mexico. I am thinking of my own country.

Senator MORTON. Of course, that would apply to any commodity. We have a world wheat agreement, and so forth, to try to stabilize things in a way——

Mr. CHAPMAN. Sure.

Senator MORTON. Here is what has happened. You have the British, those who are alined with the Commonwealth in here, asking for sugar quotas really for the first time. Why? This Cuban sugar is going to Poland, being refined, and underselling sugar in London. That is what has happened. The Cuban sugar has displaced this other sugar.

It seems to me if we have freedom, if the administration has the freedom, to step in when it wants to, buy sugar where it is cheap, I think it will be a stabilizing effect in this particular situation we find ourselves in.

Mr. CHAPMAN. I do not think history has proven that would be true. I think history would prove over a long period of time that would not be true.

You could stabilize it for one season and then the next you would be ruined and, in time, you will ruin the industry that is trying to build up its own stability in producing sugar. That is what you will do.

I think that is what I think the net result would be.

Senator DOUGLAS. Mr. Chairman, before we adjourn, I would like to introduce a few summary figures and, with the permission of the chairman, have this comment. We have been busy through the morning trying to find out what the total subsidy of American consumers to the foreign and domestic producers has been since 1948, and we found a price differential in each year as given by the Department of Agriculture between the world price and the domestic price, and reduced these as to tonnage figures multiplied by total production, excluding freight, and the total subsidies on this basis are approximately, for these 15 years, $4.1 billion. The present differential is, as we have said, 2.8 cents a pound, $56 a ton, or close to $550 million a year.

Assuming that this continues for 5 years under the present bill, we will have a subsidy of $2¾ billion, or a total of a little less than $7 billion of the American consumers.

In view of this, I should like to make this comment: When we tourists go out to Yellowstone Park, the guards there tell us not to feed the bears. Now they tell us, they give this admonition, not because feeding the bears is dangerous, but because when we stop feeding the bears, it is very dangerous. [Laughter.]

The CHAIRMAN. Is the Senator finished? Has he concluded?

Senator DOUGLAS. Yes.

(Mr. Chapman's prepared statement follows:)

STATEMENT OF OSCAR L. CHAPMAN, COUNSEL FOR UNION NACIONAL DE PRODUCTORES DE AZUCAR, S.A. DE C.V. (MEXICO), ON LEGISLATION TO AMEND AND EXTEND THE SUGAR ACT OF 1948, AS AMENDED

Mr. Chairman and members of the committee, my name is Oscar L. Chapman. I am appearing here on behalf of the Association of Sugar Producers of Mexico, which, together with the people of Mexico, has a very vital stake in the legislation now pending before this committee. For this reason, Mr. Chairman, this opportunity to appear and make our views known is most sincerely appreciated by the association and by the many thousands of our good friends in Mexico who depend upon the sugar industry for their livelihood.

Before getting into the body of my statement, I would like to make some preliminary points which may bring the remainder of my statement into sharper focus.

1. I do not represent the Government of Mexico in this proceeding, and, therefore, I am not authorized to state the position of that Government. My one and only client here is the Sugar Producers Association of Mexico.

2. Mexico does not appear here asking for aid. On the contrary, as I shall point out in greater detail later, Mexico, more than any other country, appears here as an honest seller to discuss common price and supply problems with the representatives of its largest foreign sugar customer.

3. The Sugar Producers Association of Mexico does not wish to express any opinion on the portion of the House bill designed to give additional relief to the U.S. domestic producers. Nor do we wish to express any opinion on the quota assigned to any particular foreign country, other than Mexico. Our purpose here is to make a positive case for Mexico, not a negative case for someone else.

Having disposed of these preliminary questions, I will, with the committee's permission, move on to a consideration of the question of how the United States can best procure the foreign portion of its sugar supplies.

Mr. Chairman, I think that everyone in this room will agree that the fundamental purpose of any Government program relating to sugar is to provide an adequate and regular supply at a price which is fair to both the consumer and the producer. The Congress has frequently stated this proposition, and this year we have heard the Departments of State and Agriculture restate it. If we can all agree on that basic purpose, then I think that most of the problems facing this committee can be resolved because each proposal can be tested against this basic purpose and those that do not contribute to its accomplishment can be discarded, while those which do can be accepted or modified to better produce the desired result. By adopting this approach, I think it can be quite clearly demonstrated that the global quota and premium recapture scheme, will produce an irregular and, in some cases, an inadequate supply at an unstable price which will be either too high for the consumer or too low for the producer.

Starting from the proposition that the sugar program should be designed to provide an adequate and regular supply at a fair price, I would like today to make three basic points: (1) History has made it entirely clear that in order to have an adequate supply of certain products, including sugar, at reasonable prices, some action must be taken to stabilize their markets; (2) the global quota and price recapture scheme, on the other hand, would not only produce market instability and, therefore, an inadequate supply at unreasonable prices,

but would have serious economic and political side effects as well; and (3) as I stated in my testimony before this committee in 1955, if the United States wishes to continue to have adequate supplies at reasonable prices, then the U.S. Sugar Act should be continued, but the quotas should be redistributed so that there is no one dominant supplier.

The first point I wish to make is that markets for some products, including sugar, must be stabilized if there is to be an adequate supply at a reasonable price. I thought that the underlying principle of stabilizing markets for basic commodities had been settled almost 30 years ago with the enactment of the Jones-Costigan Act for the purpose of stabilizing sugar prices and supplies. I thought that this principle had been reaffirmed on an international scale during those nearly 30 years by the excution of commodity stabilization agreements for sugar, tin, wheat, and olive oil. I thought that the economic accuracy of that judgment had been confirmed when in 1953 the U.N., through the FAO, issued a report which said, "Sugar exhibits to an unusual degree the features that make the operation of an unregulated 'free' market undesirable." I thought that the United States continued to adhere to this policy when in the Punta del Este Charter it agreed to help to find a "solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries * * *." I must say, I find it difficult to understand how the validity of such a proposition can be questioned after the Congress has asserted it, the United Nations has reasserted it, history has confirmed it, and the United States has entered into numerous international agreements on the basis of it.

But it appears that some people have forgotten the painful experiences which brought the Jones-Costigan Act into being. Of late many emotional terms and slogans have been used to describe various aspects of the sugar problem and much misinformation has been circulated. Finally, a bill has been proposed which would, in effect, eliminate country quotas and would tax away from foreign producers the differenc between the U.S. and world market prices. Absent this proposal it would certainly be presumptuous of me to explain to this committee why it is necessary to stabilize the sugar market. Since the proposal has been made, however, let me, through an abundance of caution, state for the record why any sugar program which subjects both the buyer and the seller to the vicissitudes of an unregulated market must inevitably result in excessive price and supply fluctuations which are harmful to both parties.

First, let us look at the sugar market from the standpoint of the Latin American producer. Once a sugar grower has planted his crop he is committed to a certain level of production. He can later adjust his output only within narrow limits as the market price goes up or down. Since sugar exported to the United States must, for the most part, come in in raw form, he cannot even store it for long periods until the price gets higher. Instead, he must guess when he plants the cane how much sugar he can market at a reasonable price, plant that amount and hope that his guess was right. Without the benefits of country quotas whether or not his guess is right depends primarily upon what other producers and consumers do. If other producers have greatly increased their production he may be wiped out by low prices; if they have decreased their production, the price may rise. Thus, he is faced with either feast or famine.

Let us look at an unregulated market from the standpoint of the consumer. He knows that world sugar consumption has doubled since 1948 and that it is still increasing at the rate of 5.5 percent per year. He knows also that production has more than kept pace with consumption in some years but has lagged behind in others. He also knows that in the United States, the United Kingdom, and other developed countries per capita consumption of sugar has reached a leveling-off point, but in the underdeveloped countries per capita consumption of sugar is still very low and responds quickly to increases in income. Thus he knows that the price he must pay for his sugar not only depends on the amount produced, but also depends, in part, on the amount by which incomes of underdeveloped countries are increased. Accordingly, in an unregulated market the supply of sugar available to the consumer and the price he must pay for it are largely things which are beyond his control.

It was under just such an unstable system that the world price of sugar dropped from more than 9 cents a pound in 1920 to a little more than 3 cents a pound in 1921; from more than 4 cents a pound in 1923 to less than 1 cent a

pound in 1932. Was it not reasonable, then, for the United States in 1934 to set up a sugar procurement program which stabilized the flow of sugar to the United States? Was it not prudent under these circumstances for the U.S. Government to insure a constant flow of sugar to the United States by establishing a relatively constant price, higher than that prevailing in times of plenty, but much lower than that prevailing during periods of scarcity? History has shown that these judgments were right. In the period since the Jones-Costigan Act was passed the price of sugar in the United States has been stable and, when the world price has risen above the U.S. price, foreign producers have continued to ship to the United States because they wanted continued access to a stable market.

The second point I wish to make is that the global quota and premium recapture provisions would not only tend to produce greater market instability and, therefore, would not provide an adequate supply at a reasonable price, but, also, are economically and politically harmful both to the exporting nations and to the United States.

The reasons put forward for proposing the global quota and premium recapture scheme are that—

1. It would assure a constant supply;
2. It would result in a foreign exchange saving to the United States;
3. It would avoid the political problem of allocating quotas among numerous friendly countries;
4. Aid can be given more effectively by direct means than through so-called sugar premiums;
5. It will be easier for Cuba to return to the U.S. market if no vested interests are created by assignment of quotas.

Let us consider one at a time the alleged advantages of the so-called global quota and price recapture provisions. First, it is contended that these provisions would assure a more constant supply than the present system. This contention assumes two things: (1) That the present system does not assure adequate supplies, an assumption which almost 30 years of admittedly sucessful operation refutes, and (2) that we can assure ourselves of a more stable supply of sugar by offering to buy at fire-sale prices rather than at regular prices, an economic theory to which no one can reasonably subscribe. Under the circumstances it is understandable that the executive department witnesses merely asserted that their plan could result in a more stable supply without trying to explain why. The reason, of course, is that the assertion is patiently preposterous and cannot be supported.

Second, it has been said that the global quota and price recapture scheme will be less costly to the United States. It is clear, of course, that in some years there would be a saving of foreign exchange and in other years there would be a loss depending upon whether the world market price is higher or lower than the present U.S. price. In his budget message the President estimated that there would be an annual saving in the neighborhood of $180 million. But the President's estimate is based on 1961 figures, a year in which the U.S. price exceeded the world price by a larger margin than any other year since World War II. In fact, however, the differential is normally much smaller and in some years has been reversed. For example, far from saving foreign exchange, the global quota and premium recapture scheme, would have cost the United States more than $1 million in 1950. In 1951 the loss would have been even greater, amounting to about $40 million. If the world price were to return to the 1920 level, the loss resulting to the United States because it did not provide a stabilized market would be about $254 million. These figures, of course, refer only to the increased cost of foreign sugar. In fact, if the U.S. producers had also raised their prices to equal the world market price, as they surely would under the global quota scheme, the losses would have been more than twice the amounts I have stated, or about $2.5 million in 1950, $115 million in 1951, and $724 million if the price returned to the 1920 level. Thus, it can be seen that under the present regulated market the United States actually gets its sugar cheaper than other countries in some years, as well as being assured of an adequate supply.

Third, it is said that the global quota and premium recapture provisions would avoid political problems, because the United States would no longer have to

allocate quotas among a number of friendly countries. Certainly, if there were no quotas then there would be no problem in allocating them. But this "problem" has never proved insurmountable before, and in any event I submit that it is not a problem at all, but an opportunity; an opportunity to stabilize the incomes of our Latin American friends; an opportunity to increase trade with Latin America; an opportunity to assure millions of people in Latin America of stable employment; and an opportunity to provide ourselves with a constant supply of sugar at reasonable prices. I wish that we had more such "problems."

Fourth, to say that aid can be more effectively given directly than through the Sugar Act implies that aid is presently being given to foreign producers of sugar. As I have already pointed out, this is not the case. The United States and other countries which pay a higher-than-world-market price for the sugar they import are not making a gift to the exporting countries. They simply pay for what they get; that is, an assured adequate supply of sugar at an economic price.

In this connection, it is frequently said that sugar dollars are paid to a few wealthy individuals while aid dollars are given to a large number of poor people. Those who repeat this statement obviously have never looked into the facts. In Mexico, for example, the gross revenues from the sale of sugar are divided as follows: 14 percent for costs of sales, 24 percent to the sugar mill, 19 percent to the millworkers, and 43 percent to the cane growers. Of the net proceeds after cost of sale, 50 percent must, by statute, be distributed to cane growers. And who are the cane growers who by law must receive at least 50 percent of the net income from sales of sugar? Are they corporations or large wealthy landowners? Certainly not. Mexico's land reform laws provide that sugarcane land must be owned by the people who work it. Last year in Mexico there were 83,000 owners of cane land, with an average holding of 9 acres. Does this sound like the sugar dollar paid to Mexico goes into the wrong hands? It is hard to conceive of an aid project which would reach down to distribute benefits on so broad a basis to the workingman and the farmer.

Fifth and last, it is said that it will be easier for Cuba to return to the family of free nations if quotas are abolished. This is, indeed, a unique form of reasoning. What possible difference could it make to Cuba whether it returned to the U.S. market or not if it was to receive only the world market price for its sugar in any event? Cuba can get the world market price from any one of a host of countries. In fact, far from abolishing quotas, good U.S. sugar legislation will provide an incentive for Cuba to return to the U.S. market by creating a reasonable price for sugar.

Accordingly, of the five arguments advanced in favor of the global quota and price recapture provisions, none can withstand analysis. Moreover, the Congress must consider all of the economic problems which the proposed plan would create, including the following:

1. It would create large fluctuations in prices;
2. It would endanger the constant supply of sugar to the United States;
3. It would do serious damage to the economies of supplying nations because of market instability.

The economic effects of the bill under consideration are bad enough to insure that it should not be enacted by the Congress, but consideration should also be given to its political effects. In August of 1961, the countries of this hemisphere met at Punta del Este, Uruguay, and drafted a charter to govern the future actions of the signatory nations. One of the purposes of the charter was "to find a quick and lasting solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries on which their prosperity so heavily depends."

Title IV of the charter deals with basic export commodities, and in this connection it states:

"National measures affecting commerce in primary products should be directed and applied in order to:

* * * * * * *

"(2) Avoid market instability:

* * * * * * *

"Therefore:

"A. * * * Importing countries should * * * be ready to support, by adequate regulations, stabilization programs for primary products that may be agreed upon with producing countries."

Later on in this same title of the charter, international measures are discussed and statements such as the following are found:

"* * * it should be considered that producing and consuming nations bear a joint responsibility for taking national and international steps to reduce market instability."

In addition, our foreign aid officials have repeatedly recognized that the fluctuation of a few cents per pound in the prices of basic commodities can well have the effect of wiping out any gains that might have been made as a result of U.S. assistance.

Against this background, the sugar-producing countries of this hemisphere will find it difficult to understand, as I do, why the United States has suddenly proposed sugar legislation which will create further instability in the international market. It is even more difficult for me to understand why, when the United States in 1960 forced Cuba to sell its sugar on the world market because Cuba was an enemy, in 1962 it would propose to force the other Latin American countries to sell their sugar on the world market because they are friends. It seems to me to be a strange world where commitments are made to stabilize commodity prices and then legislation is proposed which would create greater instability; where economic sanctions which have devastated the economy of an enemy are then proposed to be imposed upon friends.

The third point I would like to call to your attention, Mr. Chairman, is that the best way to assure the United States of an adequate supply of sugar at fair prices is to continue the country quota and premium price mechanism, but redistribute quotas so that there is no one dominant supplier. It is clear at this point that any system which forces producers and consumers to rely on the world market will create many problems and solve none. On the other hand, it is equally clear that the basic structure of the existing Sugar Act has worked well for many years. Accordingly, it should be clear that country quotas and the premium price must be continued as has been done in the House bill.

The interruption of sugar trade with Cuba does, however, present us with an opportunity to amend a portion of the act which for years has cried out for revision. Some members of this committee may recall that in the 1955 hearings I said:

"The essential evil of the proposal of the executive establishment is that it perpetuates a system which ignores present-day equities and relies solely on ancient history. Under this bill, foreign quotas are not allotted on the basis of the needs and merits of 1955, but essentially on the basis of the quantitative distribution of the market as it existed in 1934. Thus, no matter what has happened in the ensuing years in terms of economic and political relations, the lion's share of the market is reserved for the few suppliers who happened to be there first. No matter how efficient a new producer is, he is substantially excluded from the U.S. market."

The same argument holds true today; the thrust of the 1962 sugar legislation should be not to eliminate country quotas, but to redistribute them; to create not one sugar bowl, but a number of sugar bowls so that never again is the United States required to rely on one supplier for its sugar. Therefore, Latin American countries other than Cuba should be given larger basic quotas with a substantial amount, in the neighborhood of 1 million tons, reserved for Cuba.

The redistribution of quotas among the Latin American Republics should, of course, be made on some rational basis. But no matter what factors are considered, it is clear that Mexico should be among the major suppliers. In order to illustrate this point, we have prepared two charts which are attached and which we think demonstrate the validity of this contention.

BALANCE OF TRADE

Not only does equity demand a redistribution of quotas, but as the first chart shows, so does economics. This chart shows the total sales to the United States, the total purchases from the United States, and the favorable or unfavorable balance for the same Western Hemisphere countries for the last 5 years. Note that most countries have a slightly favorable or slightly unfavorable balance of trade with the United States, with the exception of Mexico which over the past 5 years has had a total deficit of almost $2 billion.

Not only does Mexico buy more from the United States than any other Latin American country, but in 1961 it bought almost twice as much as all of the other Western Hemisphere quota countries combined. It is obvious that if purchases from the United States are an important consideration, then some changes should be made in the distribution of quotas. How long can Mexico be expected to let this situation continue? How much worse will it get if the $70 million which Mexico got for its sugar in 1961 is reduced to less than half that amount in 1963?

There are those who think that the deficit in Mexico's balance of trade with the United States is made up by Mexican receipts from tourism and braceros so that in fact Mexico has a favorable balance of payments. Nothing could be further from the truth. In fact Mexico's balance of payments with the United States has been very unfavorable and had it not been for Mexican sugar sales in the United States last year, Mexico would no doubt have had to find some way to curtail foreign purchases, most of which are made in the United States. Thus, not only is Mexico's balance of trade unfavorable, but so is its balance of payments.

PURCHASES OF AGRICULTURAL COMMODITIES FROM THE UNITED STATES

A great deal of interest has also been shown in purchases of agricultural commodities from the United States. In order to put this information in its proper perspective, we have, on chart 2, shown three items of information. First, the overall length of the line following the name of each country indicates the total agricultural imports of that country from the United States. Second, the first part of each line is black to indicate the amount of total agricultural imports which are made up of cash purchases. Third, the second part of each such line is left white to indicate the portion of total agricultural imports from the United States which are brought in under the U.S. foreign-aid program.

Members of both Houses of Congress have indicated that the United States should assign sugar quotas to those countries which purchase the most U.S. agricultural commodities. If this factor is to be considered, then it is important to distinguish between imports from the United States which represent actual commercial purchases and imports which represent gifts made by the United States in the form of foreign assistance. For example, it would not seem to make sense to allocate a large quota to a country merely because it had accepted large gifts of U.S. agricultural products. Thus, the only relevant figure is the one representing actual commercial purchases of U.S. agricultural products.

When actual cash purchases of U.S. agricultural purchases are considered, it is clear that, here too, Mexico leads the list by a wide margin, purchasing more than half again as much as the next largest purchaser. Other countries, of course, may have larger total imports as shown by the white line, but in such cases a significant amount is imported as a result of U.S. foreign assistance.

GOLD FLOW

It has already been pointed out that the global quota and price recapture provisions would not result in the saving of gold predicted by its proponents. Accordingly, those provisions should be rejected. The committee may, however, wish to consider the gold flow problem in assigning quotas to foreign countries. The gold loss problem, of course, arises because the United States buys and gives away abroad more goods than it sells abroad. Accordingly, it is clear that if the sugar legislation is written such that the United States obtains a larger portion of its foreign sugar requirements from those countries which buy most of their foreign purchases from the United States, then the Sugar Act can contribute in an important way to stemming the flow of gold from the United States.

In this connection, it should be noted that not only does Mexico buy more total goods from the United States than any other Latin American country, not only does it purchase more agricultural products for cash than any other Latin American country, but also a larger percentage of its total foreign purchases are made in the United States. For example, in 1959, the latest year for which international statistics are available, 60 percent of the Dominican Re-

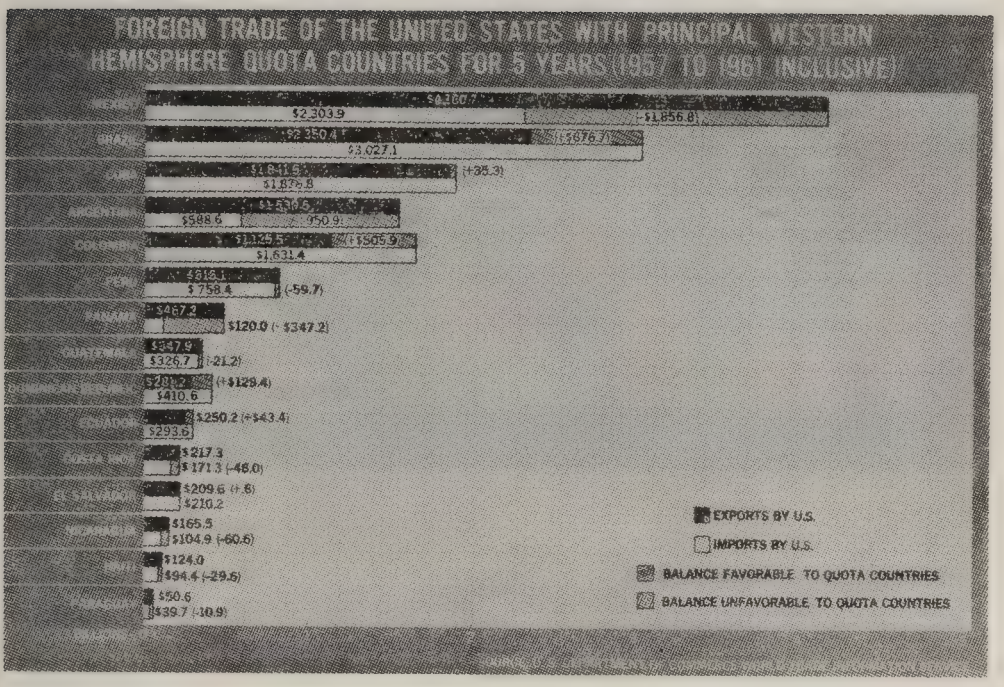
public's total foreign purchases were made in the United States, 45 percent of Peru's and 34 percent of Brazil's. Mexico on the other hand purchased 73 percent of its total foreign purchases from the United States, the largest percentage of any Latin American country.

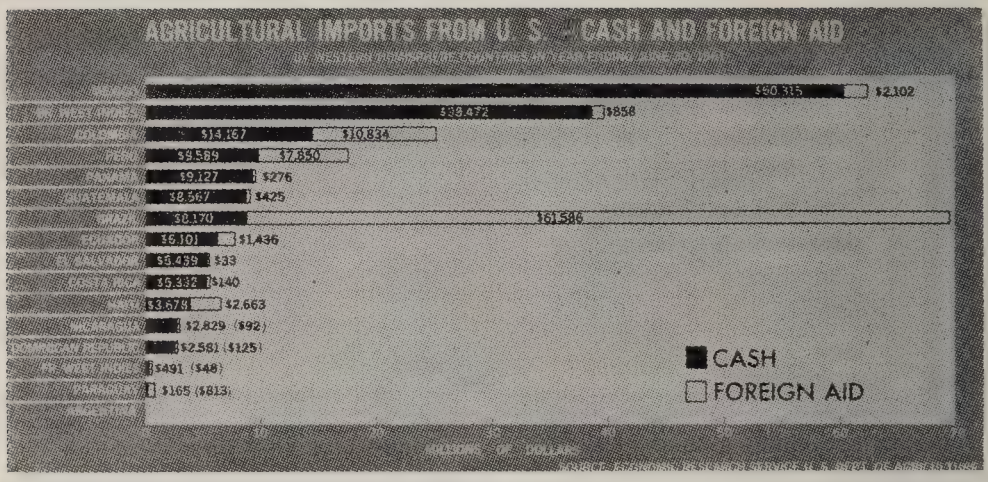
What does this mean to the United States? It means simply this, that if, as is stated by the Department of Agriculture, one of the secondary purposes of the Sugar Act is to stimulate the export trade of the United States, then it is clear that the larger the quota assigned to Mexico, the more this goal will be accomplished because these figures show that sugar dollars paid to Mexico stimulate U.S. export trade much more than sugar dollars paid to any other country. To the extent that this is accomplished, the gold flow from the United States is stemmed because the United States can pay in exports rather than gold.

Traditional trade ties are, of course, important, but this committee may also wish to consider other factors such as distribution of sugar earnings within the producing country, capacity to supply, proximity and past performance.

If the United States is to have a principal sugar bowl, then equity, economics, and social justice would dictate that Mexico should occupy that position. But Mexico has repeatedly said that it does not want to create a monster sugar industry which is completely dependent upon the U.S. market. Rather I believe that no one country should ever again become the dominant supplier of sugar to the United States. Such a policy simply breeds economic and political problems, not only for the United States but for the producing nations as well. For this reason Mexico has never tried to become the only, or even the dominant, Latin American country exporting sugar to the United States. Instead Mexico asks that there be a general redistribution of quotas among all the Western Hemisphere countries capable of supplying sugar to the United States.

In conclusion, I would again like to thank this committee for the opportunity to appear here and express the views of the Mexican sugar industry on this vital legislation. I know that this committee appreciates and understands the great interest in this legislation shown by the hundreds of thousands of people in Mexico who depend upon the sugar industry for their livelihood.


FOREIGN TRADE OF THE UNITED STATES WITH PRINCIPAL WESTERN HEMISPHERE QUOTA COUNTRIES FOR 5 YEARS (1957 TO 1961 INCLUSIVE)
$2,303.9
$1,856.8
$2,350.4
$3,027.1
$3,676.7
(+35.3)
$1,631.4
$758.4
(-59.7)
$120.0 (-$347.2)
$326.7
(-21.2)
$410.6
(+$129.4)
$250.2 (+$43.4)
$293.6
$217.3
$171.3 (-46.0)
$209.6 (+.6)
$210.2
$165.5
$104.9 (-60.6)
$124.0
$94.4 (-29.5)
$50.6
$39.7 (-10.9)
EXPORTS BY U.S.
IMPORTS BY U.S.
BALANCE FAVORABLE TO QUOTA COUNTRIES
BALANCE UNFAVORABLE TO QUOTA COUNTRIES


AGRICULTURAL IMPORTS FROM U. S. - CASH AND FOREIGN AID
$80.315
$2,102
$38,472
$858
$14,167
$10,834
$9,589
$7,830
$9,127
$276
$8,567
$425
$8,170
$61,586
$6,101
$1,436
$6,459
$33
$3,678
$2,663
$2,829 ($92)
$2,581 ($125)
$491 ($48)
$165 ($813)
CASH
FOREIGN AID

The CHAIRMAN. The committee will recess until 2:30.

Mr. CHAPMAN. Thank you, Mr. Chairman.

(Whereupon, at 1:05 p.m., the committee was in recess, to reconvene at 2:30 p.m. the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

The first witness is Mr. John A. O'Donnell, Philippine Sugar Association.

Mr. O'Donnell, come forward, sir, and sit down.

Senator DOUGLAS. Mr. Chairman, before Mr. O'Donnell testifies, may I correct an unintentional error in mental arithmetic which I made at the conclusion of this morning's session.

I pointed out that the windfall by Mexico was approximately 600,000 tons, the average windfall of about $49 a ton, and I made this $300 million total, involving $300 million, whereas obviously it was only $30 million, and the same scaling down should be applied to Peru. We will correct it for the record. But since I made the statement verbally I should correct it verbally now, and I ask unanimous consent that the statement from the W. R. Grace Co. be inserted in the record.

The CHAIRMAN. Without objection.

(The document referred to will be found at p. — of the hearings.)

The CHAIRMAN. Mr. O'Donnell?

Mr. O'DONNELL. Yes?

The CHAIRMAN. You may proceed.

Mr. O'DONNELL. Thank you, sir.

STATEMENT OF JOHN A. O'DONNELL, PHILIPPINE SUGAR ASSOCIATION AND NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

Mr. O'DONNELL. Mr. Chairman and members of the committee, I am John A. O'Donnell of Washington, representing the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines.

Mr. Chairman, with your permission, I would like to file my principal statement and make a short statement thereafter.

The CHAIRMAN. The insertion will be made following your oral presentation.

Mr. O'DONNELL. Some further thoughts have occurred to us since the preparation of the statement submitted, and with your permission, Mr. Chairman and members of the committee, I shall state them.

Under the system of global quotas and the recapture of price premiums, it will not be possible for the Philippines to fill any part of that quota. This has already been demonstrated under the Jones-Costigan Act of 1934 when the Philippines was alloted a quota of 15.21 percent of the U.S. consumption, which was a considerably large quantity than the 980,000 short tons raw value stipulated in the Philippines Independence Act.

It is also demonstrated by the fact that the Philippines has not been filling its assigned quota of 25,000 tons in the world free market.

In the Philippine Trade Revision Act of 1955 it was specifically stipulated that the quota of 980,000 tons provided therein is without prejudice to any increase that may be authorized by the U.S. Congress.

In the event, therefore, that the principles of the global quota for that part of the trade taken from the Cuban quota is adopted, as well as the recapture of the price premiums, then in accordance with the Philippine Trade Revision Act, the basic quota of the Philippines should be increased from 200,000 to 300,000 tons.

It may be mentioned that last year the Philippines filled nearly 400,000 tons additional in its basic quota.

This would not only be an act of justice for the Philippines, it would further insure availability of supplies in the U.S. market.

As already stated, the Philippines have not participated in any share of the increased consumption, and because of the destruction suffered in the war it could not fill its quota until 1956, and during that time it failed to market some 7,952,499 tons to the value of approximately $1 billion.

The Philippines have not received any increase in quota since the approval of the Sugar Act until the Cuban quota was reallocated. On the contrary, its share of the U.S. sugar market has fallen by nearly 30 percent, from 15.41 percent to approximately 10 percent.

The Philippines are the only foreign supplier of sugar whose exclusive export market is the United States, and currently it is the largest foreign supplier of sugar.

Thank you very much.

The CHAIRMAN. Are there any questions?

Thank you very much, Mr. O'Donnell.

Senator MORTON. I have a question.

How far is it from Manila to the nearest west coast port, San Francisco?

Mr. O'DONNELL. About 10,000 miles.

Senator MORTON. Quite a trip, is it not?

Mr. O'DONNELL. About 45 days; 40, 45 days.

Senator MORTON. Your concern—you favor the House bill as against the administration proposal?

Mr. O'DONNELL. Yes, we do. We could not participate in any global quotas. I just made that statement.

Senator MORTON. Yes.

Well, if we bought sugar on the world market the sugar we need to take care of the lack of sugar, that will take care of the loss of sugar, from Cuba, why couldn't you participate?

Mr. O'DONNELL. Well, because, for the reason you have mentioned, the distance, and the Philippine production is a high-cost production. It has been geared for the last half century to the U.S. market, and a special study report of the Department of Agriculture of last January, came up with the fact that we were a high-cost producer.

Senator MORTON. What specifically does this do for the Philippine sugar quota in the House bill and not in the Senate bill or administration bill?

Mr. O'DONNELL. Well, in the House bill it gives us 70,000 tons. It takes us from 980,000 to 1,050,000, our basic quota, and under this temporary quota we get 10 percent.

Senator MORTON. If Mr. Castro should leave the island, and if we should reopen diplomatic relations with Cuba, and if we should feel

a responsibility toward the economy of Cuba, would the people of the Philippines resent it very much if we took this 150,000 temporary quota away from the Philippines?

Mr. O'Donnell. I don't think so. I think they would be sorry to lose it, but I do not think they would resent it very much, because by the same token we have a relationship with Cuba, we even have a stronger one with the Philippines, and the Philippines sent an economic mission here in 1955, Senator Morton.

Senator Morton. I remember it very well.

Mr. O'Donnell. The Lorrel-Langley, so-called mission, headed by former President Lorrel of the Philippines, and Mr. Langley, a famous publisher from New Hampshire, and they negotiated for months, and finally came up with a revised trade agreement, and all the Philippines got out of it was section 3 which contained the following language, and I quote:

> The establishment herein of the limitations on the amount of Philippine raw and refined sugar that may be entered or withdrawn from warehouse to the United States for consumption shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future.

Now, the Philippines have taken the position that this gives ample authority for the Congress to increase Philippine allocations, and an implied promise that this will happen.

If you recall, the Sugar Act was up in 1956, when everybody was pulling for quotas, every foreign country was given an increase except the Republic of the Philippines, and you will remember further at the time President Eisenhower signed the bill he said that "although it was not feasible," and I am quoting him now, he said, "it was not feasible to give the Philippines an increase at this time, but when the act was next considered," and that is now, "they should be considered for an increase."

Senator Morton. I think we have a very particular, a very unusual, relationship with the Philippines, and I think that is one of the reasons why it has been treated a little bit differently from other countries. It is a treaty obligation, to begin with, we have to maintain.

I, however, was interested this morning when the distinguished chairman of the Foreign Relations Committee, Senator Fulbright, who is here with us today, brought up the point, that is, the question of whether the Congress is better qualified to deal with foreign affairs than the constitutionally authorized person, the President of the United States, and the point was made this morning that the Congress was less subject to pressures than the administration.

Now, I happen to have been an Assistant Secretary of State when this 1956 bill went through, and you speak of Mr. Langley there. I recruited him to get him, and got him through and got him confirmed, to get him to work out this treaty with you, against the objections of all the old pros down in the State Department, I might say, because I thought he was a hardnosed Yankee businessman who could do a good job with some hardnosed people from over there, whom I admire very much.

I do not see how in the world we are going to be less subject to pressure for having those of us who are elected to office pass on these questions than those who are appointed to office.

I could say "No" a lot easier when I was an Assistant Secretary of State than I have ever said as a Member of the House or the Senate.

Mr. O'Donnell. I believe that.

Senator Morton. It is hard to say "No" when you are elected. I think we are just getting ourselves into a hopeless bind when we come up here and constitute ourselves as Secretaries of State, the Secretaries of Agriculture, the Secretaries of anything else, and spell this business out.

I think, I must say I think, even from the Philippines, where I know the cost is higher than it is in most of these countries to produce sugar because you have, just as Mexico, you have a better way to set up, I think you will get your share of this thing from global quotas. I think an administration, being given the freedom to buy there, could see that you did.

You leave it to the Congress—what happened to you in the House of Representatives the other day when they knocked down an appropriation bill which had been already agreed to, as an authorization to pay for these war damage claims?

Mr. O'Donnell. That is right.

Senator Morton. The week before we asked the Philippine Government to help us out by sending some troops to Thailand. I do not blame the President of the Philippines for saying, "I will send you 60 men." I do not blame him a bit.

I think the House of Representatives was completely irresponsible in this, and I am not discussing the merits of the issue. They were already decided. We had authorized this appropriation, and then they come along, and because of something, I do not know what it was, lack of dynamic leadership, I suppose, or lack of knowledge or intelligence, they come along and kick the Philippines, the House of Representatives did, the same ones who passed this bill that you are for now, and you want to get yourself in the position of being kicked around by the Congress and not letting the man who has the constitutional authority for foreign policy in this country handle this thing, why, then, I think you are digging your own grave.

Mr. O'Donnell. I was a member of the Philippine War Damage Commission.

Senator Morton. Yes; I know you were. You served with great distinction on it.

Mr. O'Donnell. Thank you.

Senator Morton. I think that is something you ought to think about, because the House may give you what you want in sugar, but they sure did not give you what you wanted on the war damage claims.

Mr. O'Donnell. You see, from a realistic standpoint, Mr. Morton, the Philippines has an excess of 300,000 tons of sugar they would like to supply to the U.S. market.

Senator Morton. Yes. Many other countries have.

Mr. O'Donnell. And because of the distance that you have pointed out, there are the facts that the Philippines also have been geared to the U.S. market, and all those things taken into consideration, the Philippines has nowhere to go with this sugar. The Philippines responded very well to the emergency situation when on July 4, 1960, we cut off the 3,200,000 quota from Cuba: like any other country, she just seized an opportunity now to exercise her rights under this treaty, the Trade Revision Act of 1955 with which you are so familiar, and which she was bypassed in 1956, and we were very hopeful in 1956, you remember that situation very well, I am sure.

Now, the Phinippines sees here another chance to bring up that proviso and exercise her rights under it, and that is her viewpoint.

Senator MORTON. We do not have a more loyal ally in the whole Orient than the Philippines. I recognize that. In fact, many of my people from my State fought side by side with the Filipinos; the battalion from Harrisburg, Ky., was in the death march. This touched every family in a county of my State.

We feel a very close affinity and a desire to be helpful. But I just do not think you are going to improve your future or your interest in this by letting the Congress every 3, 4, or 5 years decide on where we are going to give it.

Another Congress, especially if our mutual friend and colleague with whom I know Senator Fulbright served in the House, Carlos Romulo, and he is not here, if he were in Washington, they would not have beaten that bill on the floor of the House, I would tell you that. He was smart enough to get the job done, and I think you are not serving the best interests of the economy of the Philippines or the best interests of the people of the Philippines by just throwing this thing into the House of Representatives and the Senate of the United States with the question of who has got the most influence, which country has got the most influence.

Mr. O'DONNELL. Some Members of both bodies feel the setting up of these quotas is their prerogative.

Senator MORTON. I realize they do, and I hope they change their opinion.

Well, thank you, sir.

The CHAIRMAN. Any further questions?

Senator FULBRIGHT. Mr. O'Donnell, how long have you represented the Philippines?

Mr. O'DONNELL. Since, if my memory serves me right, 1954 or 1955.

Senator FULBRIGHT. Are you registered as a foreign agent under the Foreign Agent Registration Act?

Mr. O'DONNELL. Yes; under the Foreign Agent Act of 1938, as amended.

Senator FULBRIGHT. Do you file reports?

Mr. O'DONNELL. Yes, sir.

Senator FULBRIGHT. How often?

Mr. O'DONNELL. Every 6 months.

Senator FULBRIGHT. What does your agreement with them provide?

Mr. O'DONNELL. Sir?

Senator FULBRIGHT. What does your agreement with the Philippine Sugar Association provide?

Mr. O'DONNELL. It provides $2,500 a month, which includes everything. I have a Filipino assistant, and office expenses, and so on and so forth.

Senator FULBIGHT. Do you work on anything other than the sugar bill?

Mr. O'DONNELL. Yes, sir; general practice of law.

Senator FULBRIGHT. What else do you work on?

Mr. O'DONNELL. I am—you mean legislativewise?

Senator FULBRIGHT. Yes. What other lobbying activities do you perform?

Mr. O'DONNELL. I have handled claims. I am in the transportation field.

Senator FULBRIGHT. Do you look after the tobacco interests?

Mr. O'DONNELL. No, sir.

Senator FULBRIGHT. Do you have anything to do with the agreement on tobacco?

Mr. O'DONNELL. No, sir.

Senator FULBRIGHT. The Philippine Government, did it not have an embargo on the importation of American tobocco?

Mr. O'DONNELL. Not an embargo, sir. They have a law that prohibited the entrance of Virginia burley leaf tobacco which President Garcia, under another statute, found there was a shortage of such tobacco and he admitted a certain quantity of it into the Philippines just before he went out of office. This was challenged by the new administration in the courts, and the Supreme Court of the Philippines held that it was within the executive authority, and this burley leaf tobacco was admitted. It that what you have reference to?

Senator FULBRIGHT. Yes; that is right. It was an embargo by law?

Mr. O'DONNELL. Yes.

Senator FULBRIGHT. You said it was a law excluding American tobacco?

Mr. O'DONNELL. That is right.

Senator MORTON. Will the Senator yield?

They finally got the tobacco in, so let us leave a dead horse sleep.

Senator FULBRIGHT. I am not interested in tobacco going in or out.

Senator MORTON. I am.

Senator FULBRIGHT. That is a legitimate interest.

What I was interested in were the duties of lobbyists representing foreign governments and whether or not they file complete statements of their activities or not.

I am merely questioning, do you really file these?

Mr. O'DONNELL. Oh, yes, sir. There are very severe penalties for failure to file.

Senator FULBRIGHT. In your last statement, as quoted to me, you showed receipts of $16,390, and expenditures of $17,680. You must be operating at a loss.

Mr. O'DONNELL. Well, I had a carryover from the following year.

Senator FULBRIGHT. Those statements are very sketchy; are they not?

Mr. O'DONNELL. Well, that is taken right from my books. I do not know the reason for that right off hand.

Senator FULBRIGHT. In your last statement you did not itemize any expenditures; did you?

Mr. O'DONNELL. I do not recall.

Senator FULBRIGHT. Why don't you recall? You are required to do this under the law. All people representing foreign governments lobbying before the Congress are supposed to file itemized accounts; are they not?

Mr. O'DONNELL. That is right.

Senator FULBRIGHT. But most of them do not; is that correct, sir?

Mr. O'DONNELL. I do not know of anybody that does not.

Senator FULBRIGHT. Well, you do not. You did not file an itemized account the last time.

Mr. O'DONNELL. Frankly, Senator, not to be trying to get around anything, because I am not, my administrative assistant takes this right out of our books.

Senator FULBRIGHT. He files it for you?

Mr. O'DONNELL. Well, he makes it up. That does not absolve me of any liability under the law, but the point I make is whatever is on that, on my lobbying report, is what I got and what I did.

Senator FULBRIGHT. Is it true that with regard to tobacco when you requested an increase in your quota you were then requested to allow tobacco to come in, that this resulted from the agreement of President Garcia to allow the tobacco in in return for an increase in the quota?

Mr. O'DONNELL. I do not know.

Senator FULBRIGHT. You do not know about that? You would not know about that?

Mr. O'DONNELL. Only what I read in the newspapers. I was not over there. I have no personal knowledge, sir.

Senator FULBRIGHT. That is all, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. O'Donnell.

(Mr. O'Donnell's prepared statement follows:)

STATEMENT OF JOHN A. O'DONNELL, ESQ., FOR THE PHILIPPINE SUGAR ASSOCIATION AND THE NATIONAL FEDERATION OF SUGARCANE PLANTERS OF THE PHILIPPINES

Mr. Chairman and members of the committee, I am John A. O'Donnell, of Washington, representing the Philippine Sugar Association and the National Federation of Sugarcane Planters of the Philippines.

I have testified in behalf of Philippine sugar millers and planters before the Congress on prior occasions and specifically I read a detailed statement during the hearings on sugar legislation in the House of Representatives last month. I shall try not to be repetitious and to conserve the valuable time of the committee as far as possible consistent with the interests of the people in whose behalf I appear.

I do not believe that any of the members of this committee or the Senate, for that matter, need to be reminded of the close relationship of our country with the Republic of the Philippines. Moreover, I am sure that there is a general awareness among our people and their representatives in government of the important place which the sugar industry occupies in the Philippine economy and the dependence of that industry upon a market in the United States. Reiteration of a few salient propositions, however, may be helpful at this point.

First: The sugar trade between the United States and the Philippines goes back for almost a century. In 1933 our sugar imports from the Philippines represented the impressive figure of 1,250,000 tons. Later, in 1937, the Philippines acquiesced in a substantial reduction of these imports in order to accommodate its annual output to the sugar quota system adopted by the United States.

During World War II the Philippines were cut off and supplied no sugar to the United States. Although in the immediate postwar period the Philippines made remarkable and praiseworthy strides in the recovery of the sugar industry, nevertheless from 1941 to 1953 shipments of sugar to the United States totaled a mere 4,433,501 tons out of a gross aggregate quota of 12,376,000 tons, leaving a permanent deficit of 7,952,499 tons which resulted from circumstances entirely beyond the control of the people of the Philippines. This deficit valued at approximately a billion dollars was filled by foreign suppliers, principally Cuba. Subsequently history has presented no opportunity to the Philippines to make up for this vast loss.

Under the Philippine-United States trade treaty and by the terms of the Sugar Act of 1948 as annual sugar quota for the Philippines of 980,000 tons was established. This figure has remained static from 1948 to the present time although quotas for other foreign suppliers have been substantially increased, particularly in the 1956 amendments to the Sugar Act. At the time of signing of these amendments into law President Eisenhower said:

"It was not considered feasible to recommend an increase in the Philippine quota at this time. I believe, therefore, that when new amendments are being prepared at the conclusion of the present act, consideration should be given to

allowing the Philippines to share in increased consumption as is now provided for other foreign countries by this bill."

Second: In 1960 the President of the United States was granted authority to make changes in sugar imports because of the political defection of Castro's Cuba. The President thereupon terminated Cuba sugar imports. This step resulted in an immediate deficit in U.S. sugar requirements of about 3,200,000 tons annually. Foreign suppliers were called upon to increase their supplies to meet the deficit. Planters and millers in the Philippines, despite the straitjacket into which their production had been fitted, responded to the extent that they made shipments to the United States, in addition to their quota of 980,000 tons per year, 743,337 tons since July 1960.

Third: At this point may I inject a few relevant statistics.

The sugar industry has again assumed first place in the Philippine economy.

The present investment in the sugar industry in the Philippines is estimated at $750 million.

Approximately 3 million people out of a population of 28 million depend on sugar for their livelihood.

Banks, insurance companies, shipping, and manufacturing and other industrial institutions largely depend upon the existence and growth of sugar.

This activity pays more taxes than any other in the Philippines and has shown as great a degree as any in modernization techniques and social welfare progress.

The Philippines have been and now remain one of the best customers of the United States. Wheat, milk, electrical apparatus, automobiles and parts, and numerous other products have found a primary market there. During the last 10 years, from 1952 through 1961, Philippine imports from the United States have averaged more than $300 million annually, which represents 55.5 percent of total Philippine imports. The trade balance in favor of the United States has averaged approximately $50 million yearly.

Fourth: Revisions of the Sugar Act proposed by the executive department of the Government of the United States favor generally the abandonment of the quota system and as to a large volume of sugar imports the immediate surrender of so-called premium payments and as to the basic quotas of the full-duty countries the gradual relinquishment of the price premium structure. We aline ourselves with those who favor the continuance of the quota system. This device was conceived almost exactly a quarter of a century ago for the practical purpose of insuring supplies in the United States at stable prices at all times while without any economic damage to ourselves, economic assistance was extended to other areas in the world. Moreover, the payment of U.S. premium prices has functioned along with the quota system toward the same desirable objectives.

Any assumptions based upon the existence of a genuine world sugar market are fallacious. Carefully planned systems in the production, flow and acquisition of sugar supplies are commonly promulgated and maintained by governments all over the earth. It has long been recognized that it would be impossible to guarantee a steady and adequate supply of sugar for consumers in Great Britain, for example, as well as the United States, if there were a freely competitive world market or if the only reward to the producers would be the average price commanded by the relatively small amount of sugar which is left in the world after the systematic distribution of available supplies is accomplished.

The so-called world market is simply a dumping ground for sugar supplies which are not absorbed through quotas and systematic planning. To depend in the future on a world market for the greater part of the supplies which the United States will always require may place in the hands of the determined enemies of our economy the power to manipulate sugar supplies to the ultimate detriment of U.S. consumers.

Fifth: Whatever generalities may be applicable to other sugar-producing areas in the world the security of sugar supplies and the stabilization of prices on sugar originating in the Philippines depend on fixed sugar quotas and premium prices no part of which can be recaptured by the United States through import fees or other devices.

Other foreign suppliers like Mexico, Santo Domingo and Cuba before Castro produced and sold in the world market an amount of sugar at least equal to that exported to the United States. The Philippines since the approval of the Sugar Act of 1937 have virtually renounced any part of the world quota because of

their exclusive interest in the allotment of a portion of the U.S. market. The United States has been the single and exclusive sugar market for the Philippines and therefore the cost of production there is correspondingly geared to the price in the United States.

The quota system has been the only one under which the Philippine sugar industry could and can operate and the premium payments represented by the domestic prices in the United States represent the incentive under which sugar production in the Philippines can be kept at a high level and the people participating in the industry can earn living wages and be the beneficiaries of improved living conditions.

The argument that a fund in the Treasury of the United States made up of fees representing a recapture of premiums on sugar imports would be available for assistance to foreign nations has no application to the Philippines. That country is not comparable with those requiring the first stages of financial aid from the United States. The Philippines more accurately come within the reasoning of Secretary of State Dean Rusk, who said in a speech delivered December 1, 1961, to the Conference of International Social and Economic Development:

"The drop of a few cents in a primary commodity can, for example, in a particular country, wipe out by several times any effect of American aid to that particular country."

Sixth: the administration-sponsored legislation to revise the Sugar Act proposes again to limit the quota of the Philippines to 980,000 tons, thus continuing the straitjacket restricting the sugar economy of the Philippines and the opportunity of the United States to obtain a secure supply at stable prices from that source. The treaty with the Philippines establishing the quota was given due recognition but adherence to the outgrown Government position failed to read the promises implicit in the revised trade agreement of 1955 between the United States and the Philippines containing the following language:

"The establishment herein of the limitations on the amount of Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future."

Seventh: the Sugar Act Amendments of 1962 adopted by the House of Representatives give recognition in a measure to the needs and the deserving position of the Philippine sugar planters, producers, and exporters. The fixed annual quota for the Philippines has been raised to 1,050,000 short tons raw value. Moreover, the Philippines have been included for the period ending December 31, 1962, and the calendar year 1963 to the extent of 10 percent of any quantity of sugar which may be authorized for purchase and importation due to the continued absence of Cuba from the family of friendly nations. Besides this the Philippines will be considered in connection with possible deficits in other sugar-producing areas.

The provisions of the Sugar Act Amendments of 1962 favorable in some measure to the Philippines are accepted with gratitude, and it is hoped that the ultimate law which will go into effect after action by the Senate and approval by the President of the United States will contain as a minimum the provisions promising at long last a necessary improvement in the position of Philippine sugar producers in the U.S. market.

In behalf of the worthy people whom I represent I again urge most strongly the enactment of legislation preserving a sugar quota at U.S. domestic prices with no provision for recapture in whole or in part of the premium above the so-called world market price of at least 1,050,000 tons per annum for the Philippines, a participation of at least 10 percent in added imports due to the termination of the Cuban quota and such other benefits as may be provided for the Philippine sugar industry.

The people whom I represent and I personally are very grateful for the opportunity to appear before you.

The CHAIRMAN. The next witness is Mr. Charles H. Brown, South Pacific Sugar Mills, Fiji Islands.

Mr. Brown, take a seat, sir.

STATEMENT OF CHARLES H. BROWN, SUGAR INDUSTRY OF FIJI

Mr. BROWN. Thank you very much, Mr. Chairman. I appreciate this opportunity to appear before this distinguished committee.

I am Charles H. Brown, president of a public relations firm in Washington. I am here on behalf of the sugar industry of Fiji, a little island country in the southwest Pacific, 2,700 miles west of Hawaii.

During World War II Fiji supplied some 60,000 tons of sugar to the American people here at home, and substantial quantities to men of the U.S. Armed Forces abroad, and already this year Fiji has supplied this country with 5,000 tons of sugar.

Fiji wants to continue to supply sugar to this market for many reasons, not the least of which is that Fiji's trade with the United States is not in balance. She purchases two to four times as much from the United States as we purchase from Fiji.

She is buying 99 percent of her tobacco from us. In fact, Fiji's per capita imports of U.S. tobacco compare favorably with America's best customers anywhere in the world.

In April of this year Fiji announced she will purchase 4,000 tons of brown rice from this country this year.

All this trade, while it is extremely small by U.S. standards, is for cash dollars. These are not Public Law 480 purchases.

Fiji has never sought or received any AID grants or loans from the United States.

Fiji seeks trade from the United States, and sugar is the only commodity which she can sell to us in quantity.

Fiji is acknowledged to be one of the world's efficient sugar producing countries with the capacity, the experience, and the production records to assure U.S. refineries the quality of raw sugar they want when they want it.

Fiji is 3,000 miles closer to the U.S. east coast refineries than are the Philippines and Taiwan.

Fiji can supply the United States with up to 70,000 short tons of raw sugar annually without incurring new capital expenditures in field or factory.

To date every U.S. dollar spent for Fiji sugar has remained in the United States.

Mr. Chairman, this final point which I think merits special consideration: under the Anzus Pact, the United States shares responsibility for the defense of Fiji with Anzus partners, Australia and New Zealand.

Fiji's airstrips and ports were very important to the United States and the free world in World War II.

Over 100,000 of our boys were stationed there for the mounting of the campaigns into the Solomons and so forth.

Fijians have fought side by side with American boys at Guadalcanal, Bougainville, the Solomons, and other historic battlefields.

With the United States deeply committed in the Pacific and in Asia, it is my personal opinion that our own self-interest would be served to continue this sugar trade with Fiji because sales of raw sugar to the United States are a simple way to help insure the economic and political stability of this little island country which has in the past, and may again, prove vital to free world security.

For these reasons, and for others which are stated in the statement, which I would like to insert at this time, Fiji hopes that you will give serious consideration to her request to sell sugar in the United States, and she can supply up to 70,000 tons a year if she has the opportunity.

The CHAIRMAN. You want your statement inserted in the record?

Mr. BROWN. Yes, Mr. Chairman.

(The prepared statement of Mr. Brown follows:)

STATEMENT BY CHARLES H. BROWN ON BEHALF OF THE SUGAR INDUSTRY OF FIJI

Mr. Chairman, thank you for this opportunity to appear here today. My name is Charles H. Brown; and I am here on behalf of the sugar industry of Fiji, a little country in the South Pacific which is currently supplying sugar to the United States.

First, may I convey to this distinguished committee and, through you, to the people of the United States Fiji's deep gratitude for the 5,000-ton U.S. sugar allocation which Fiji received in the first half of 1962.

This allocation has been a front page event in little Fiji, because it is Fiji's first entry into this important market since World War II. During the war, she supplied some 60,000 tons of sugar to the American people at home and substantial quantities to men of the U.S. Armed Forces.

The 12,695 independent cane farmers of Fiji have the capacity and a record of production to insure supplying up to 70,000 short tons of sugar to the United States annually without having to undertake new capital expenditures in either field or factory.

Under the International Sugar Agreement of 1953 and the Commonwealth Sugar Agreement of 1951, Fiji's sugar exports have been limited to 184,000 long tons. Fiji's local consumption of sugar is 15,000 long tons.

Fiji has proved that her cane lands can produce and her mills are capable of handling 280,000 long tons of sugar annually—roughly 80,000 long tons in excess of present outlets.

SOUTH PACIFIC GATEWAY

Fiji is a group of about 322 islands (95 inhabited) approximately 2,700 miles west of Hawaii, 1,800 miles east of Australia, and 1,200 miles north of New Zealand.

Fiji is approximately 3,000 miles closer to the U.S. east coast sugar refineries than the Philippines and Taiwan.

In the words of Prof. K. B. Cumberland, M.A., D.Sc., professor of geography at Auckland University, "Fiji is to the southwest Pacific and to Australia what Hawaii is to the north Pacific and to the North American Continent. Like Hawaii, Fiji is a considerable source of tropical produce, a market for manufactured goods and processed foodstuff, first stop on trans-Pacific journeys by either Skymaster or passenger ship, strategic outpost, advanced airbase, and winter tourist resort.

"Just as traffic for North America diverges at Honolulu for Vancouver, Seattle, San Francisco, and Los Angeles, so traffic for Australia and New Zealand diverges at Nandi and Suva. Excluding only Hawaii, Fiji is economically the most important island group in the Pacific world as here defined." ("South West Pacific," 1954, pp. 290, 291.)

The population of Fiji was 374,284 people at the end of 1958, consisting of 2.4 percent Europeans; 97.6 percent Fijians, Indians, Chinese, and other Pacific races.

FIJI LOYAL FRIEND AND CUSTOMER OF UNITED STATES

There have long been strong bonds of friendship between the United States and Fiji. American GI's and Fijians have fought side by side in many historic battles—Guadalcanal, Bougainville, the Solomons, and others. In World War II, Fiji became a separate island command under the Americans, commanded by Maj. Gen. C. F. Thompson, and all Fiji forces came under him for operations. The port facilities of Suva were a revictualling base for the Anzac Naval Force and for American convoys carrying men and supplies to Pacific garrisons.

In 1954–56, Fiji supplied troops for SEATO operations against the terrorists in Malaya. The Fijians are loyal friends and allies of the United States and the free world.

Fiji and the United States have enjoyed uninterrupted trade relations for many decades. In total trade, Fiji consistently purchases two to four times as much from the United States as the United States buys from Fiji. Naturally, Fiji's total trade is extremely small—comparable to that of a small city in the United States; but Fiji buys all she can from us with the limited dollars she has. Principal purchases are tobacco, aircraft supplies, lubricating oils, and photographic equipment.

Over 99 percent of the tobacco purchased by Fiji is American leaf. In fact, Fiji's per capita imports of U.S. tobacco compare favorably with America's best customers. All Fiji purchases from the United States are for cash dollars—no Public Law 480 purchases.

In April of this year, Fiji signed a letter of agreement with the United States to purchase some 4,000 tons of brown rice from this country, for dollars. A first shipment has already been milled and sold by Rewa Rice Mills, Ltd., in Nausori, Fiji; and I am happy to report to this committee that the Fijian rice millers are pleased, indeed, with the quality, the yield, and the consumer acceptance of U.S. rice in Fiji.

Under the ANZUS Pact, the United States shares responsibility for the defense of Fiji with ANZUS partners, Australia and New Zealand. Fiji's airports, harbors, and facilities are important to the United States and the free world, militarily.

And sugar is the foundation of Fiji's economic stability. Fiji seeks trade, not aid.

She has never sought or received AID grants or loans. All she asks is a chance to sell some sugar in the U.S. market.

With the United States deeply committed in the Pacific and Asia, it is my honest opinion, Mr. Chairman, that we must, in our own self-interest, permit Fiji to sell sugar in the United States for this one reason, if for no other: Sales of raw sugar to the United States will help to insure the economic and political stability of these islands which have in the past and may again prove vital to free world security.

SUGAR PRODUCTION IN FIJI

In contrast with the system of plantation or estate farming of sugar cane predominant in most tropical countries, cane is grown in Fiji by individual risk-taking farmers who depend on the earnings from their cane production for their livelihood. The average holding is about 9 acres.

Improved farming techniques

The following improved farming techniques have been introduced to improve production from existing cane lands in the last decade:

(*a*) A more intensive crop rotation system (cropping each year a greater proportion than before of the cane farmlands).

(*b*) New canes giving higher yields per area.

(*c*) Better and wider use of fertilizers.

(*d*) Improved agricultural practice (for example, drainage and improved control of disease in cane).

There have also been major improvements in factory techniques and equipment. (See appendix.)

The result of this improved industry efficiency was that in the 1959 crop year, Fiji produced a record quantity of 283,000 long tons of raw sugar from 2,447,250 tons of cane harvested.

The huge production in 1959 meant that a large quantity of sugar (about 100,000 tons) was carried over into 1960 and necessitated a reduction in production to a figure consistent with market requirements and appropriate stock levels.

Fiji illustrated in the 1959 season that her cane lands can produce and the mills can handle at least 280,000 tons of sugar—some 80,000 more tons than present customers can regularly absorb at economic prices.

SUMMARY

In making application for a basic quota to supply raw sugar to the United States, Fiji respectfully directs your attention to the following considerations:

(1) Fiji is an efficient and dependable source for sugar, with the capacity, the experience, the production records over a long period of years to assure U.S. refineries the quality of raw sugar they want, and when they want it.

(2) Fiji can supply the United States with up to 70,000 short tons of raw sugar annually without incurring new capital expenditure in field or factory.

(3) Fiji has political stability and a long record of friendly trade relations with the United States.

(4) Since the United States already shares responsibility for the defense of Fiji under the ANZUS Pact, it would be logical for these two countries to continue and expand their trade relations in sugar, the commodity which supports Fiji's whole economic structure.

In light of these factors, the sugar industry of Fiji will deeply appreciate your serious consideration of a basic U.S. sugar quota for Fiji; and we have every confidence that this great committee will be fair and just in its consideration of this request.

APPENDIX—FIJI SUGAR INDUSTRY DATA

(A) Area of cane lands 1949–61

Year:	*Area of cane lands*	Year—Continued	*Area of cane lands*
1949	93,511	1956	115,654
1950	93,205	1957	123,986
1951	96,006	1958	128,863
1952	101,526	1959	136,865
1953	104,163	1960	127,084
1954	108,726	1961	127,841
1955	110,854		

(B) Number of cane growers and average areas cultivated 1949–61

Year	Number of growers	Average area cultivated per farm	Year	Number of growers	Average area cultivated per farm
1949	9,038	10.0	1956	12,079	9.3
1950	9,246	9.8	1957	13,230	9.1
1951	9,105	10.2	1958	13,720	9.2
1952	9,628	10.2	1959	14,270	9.4
1953	10,355	9.8	1960	12,592	9.9
1954	11,457	9.2	1961	12,695	9.9
1955	11,709	9.2			

(C) Average tons cane crushed per week at Fiji mills in 1949 and 1958

Year	Mills			
	Rarawai	Labasa	Lautoka	Penang
1949	11,894	5,619	20,025	3,091
1958	15,134	7,832	24,147	4,413
Percent increase	27	39	21	46

Source: South Pacific Sugar Mills, Ltd., records.

The CHAIRMAN. Any questions?

Senator DOUGLAS. I would like to ask if the Fiji Islands are included in the Commonwealth Sugar Agreement?

Mr. BROWN. Yes; they are, Senator.

Senator DOUGLAS. How much sugar does Great Britain, under that agreement, take from Fiji?

Mr. BROWN. Great Britain, Canada, and New Zealand take approximately 170,000 tons.

Senator DOUGLAS. At what price?

Mr. BROWN. Sir?

Senator DOUGLAS. At what price per pound?

Mr. BROWN. Well, it is approximately the U.S. price. Sales to the United Kingdom net $90 to $110 per ton.

Senator DOUGLAS. It receives $90 a ton, which would be 4½ cents a pound?

Mr. BROWN. That is about right; yes, sir.

Senator DOUGLAS. The American price is 6½ cents a pound.

Mr. BROWN. Well, the American price includes the freight.

Senator DOUGLAS. From the West Indies, half a cent a pound, $10 a ton.

Mr. BROWN. You see, Fiji's sales to New Zealand, the freight would not be anything like what it is to the United States.

Senator DOUGLAS. Exactly so.

Is it not true that the Fiji sugar primarily goes to Australia and New Zealand?

Mr. BROWN. Not Australia.

Senator DOUGLAS. New Zealand.

Mr. BROWN. New Zealand, Canada, and Great Britain.

Senator DOUGLAS. Is it true that the primary sales go to New Zealand?

Mr. BROWN. Yes.

Senator DOUGLAS. New Zealand is not so far from the Fijis, is it?

Mr. BROWN. No. But, you see here is Fiji's problem; it is very simple. They need expanding markets. It is not much that we are talking about. It is, you know, 70,000 tons out of the world picture of 60 million. You can lose that much off the boat in a high wind.

Senator DOUGLAS. Well, Mr. Brown, it is only 10,000 tons a year, but that is a subsidy at $56 a ton, which is a favor of up to $56 a ton over the world price for 5 years, or $2,500,000. You have made a very interesting plea that it is not much. But it is really something, you know, and not only that, but I am struck with the fact that since the distance between Fiji and New Zealand is not great, freight costs cannot be appreciably more, and apparently they are asking the United States to pay them more than the British Commonwealth will pay them.

Do you think that we should assume greater responsibility per ton of sugar than the great British Commonwealth?

Mr. BROWN. Well, Senator, actually when you compare the volume that little Fiji could sell to the United States with the volume that she sells to Great Britain, U.S. participation in that picture would be relatively small. But it is an important participation.

Now, under the Senate bill, and this I would like to present for consideration by this distinguished, fairminded body, under the Senate bill——

Senator MORTON. Thank you.

Mr. BROWN. I mean that. I served in the House long enough to know you are fairminded. Under the Senate bill Fiji's sales to this country would have to move at the world price because the difference between the so-called world price and the U.S. domestic price would be impounded into the U.S. Treasury.

Now, the world price today is substantially below the cost of production in Fiji, which is one of the world's most efficient sugar-producing countries.

Every sugar man I have heard says that the present world price is well below the cost of production of any country in the world.

Now, if we buy sugar from Fiji at less than cost of production, actually what we are asking for is lower wages in the plants, we are asking for lower income for their family farmers, and they are family farmers who produce that sugar in Fiji, absolutely, 13,000 of them, with 9-acre tracts; and they all produce it independently and market their sugar under an 8-year agreement as to what percentage of the total proceeds they are going to get.

We will be asking those people to accept a lower standard of living if we tried to buy——

Senator DOUGLAS. Why should we pay more than the British Commonwealth?

Mr. BROWN. Well, sir, that is a good question, and I think maybe the truth in this thing might be somewhere in between some of these proposals that have been brought forward. One of them is much too low, and you say the other one is much too high. Actually, maybe there should be some common ground found in there somewhere.

Fiji needs to sell sugar to the United States at an economic price, not a distressed price, and that is what the world market is today.

Senator MORTON. Will the Senator yield?

Senator DOUGLAS. Yes.

Senator MORTON. You say you can produce sugar as efficiently as any country?

Mr. BROWN. Yes, sir.

Senator MORTON. If you can do that, why are you afraid of having the United States buy the Cuban quota on the world market? You would be in a wonderful position then, it seems to me, to get the business if you are this efficient.

Mr. BROWN. It is just this simple, Senator: All but 8 million tons of sugar in the world flows through negotiated sheltered market arrangements. Of course, you know that.

Senator MORTON. Yes.

Mr. BROWN. That 8 million tons, known in the sugar industry as the garbage can market, can be affected by just one little item like this: Somebody ships a shipload, half of beef and half of sugar. They adjust the freight rates, you know, to load it onto the beef, take it off the sugar, and in that one cargo it becomes the world price. That is so because there are just 8 million tons flowing.

What I would suggest is that if we really believe in trade agreements, if we really believe in stabilizing world markets, you know, at remunerative prices—and we signed the International Sugar Agreement, this Congress ratified it—and if we believe that we are trying to lead the world to better commodity prices, couldn't we figure out some way where there could be a fair price for little Fiji's sugar and everybody else's sugar?

Senator MORTON. Well, I had a little old business, too, and I always had to worry about the price of the big fellow. If I did make a better mousetrap at a lower price I got the big fellow's business.

You say yourself you can produce sugar as efficiently as anybody else. I suppose by that you mean at a lower cost than anybody else.

Mr. BROWN. That is right.

Senator MORTON. If I were in your place, I would say to this committee, "Take this bill and stop it and let me get the sugar business because I can put it out."

Mr. BROWN. Now, just a second. I heard that theory expounded in Missouri back in the 1930's when I lived in southwest Missouri. We cannot grow corn in southwest Missouri. When you plow a hillside down there, Senator Fulbright knows, you have to have one leg shorter than the other to plow it.

Senator MORTON. We have some sections like that in Kentucky, and they are equally Republican.

Mr. BROWN. You are right. [Laughter.]

Now, we could not produce corn, but we did, and those efficient corn producers in north Missouri said, "You just let this price go on down and we will run that inefficient corn producer in Missouri out."

Senator MORTON. But you are an efficient sugar producer.

Mr. BROWN. Just a minute. I am saying this as if I were in north Missouri.

All right, the price got down in 7 years well below the cost of production. We were actually burning the corn for fuel, and those people in north Missouri said, "Why don't those inefficient fellows get out and leave it to us efficient fellows?"

The truth is that once a price falls on a commodity, such as an agricultural product or a mining product, it is just harder than the very devil to get it back up; and I think the United States has always been committed, in recent years at least, to try to promote stabilized prices all over the world, and trying to lead the world to economic prices.

Now, I believe there is a way to do that under this Sugar Act. I would not tell you that the House bill is perfect. I would not tell you that the administration bill is perfect. But maybe with all the brainpower that there is around here there can be a good bill.

Senator MORTON. Well, you and I have both served in the most interesting body in the United States, the House of Representatives.

Mr. BROWN. And it is a great body.

Senator MORTON. It is. And it is the same pay over here and a lot more work and a lot more headaches, I can assure you of that.

Mr. BROWN. Well, there were plenty in the House when you are from a Republican district. [Laughter.]

Senator MORTON. You are talking about burning corn down there in southwest Missouri.

Mr. BROWN. Right.

Senator MORTON. You know perfectly well, having represented so ably the district, the southwestern Missouri district, that you got a gallonage from your corn just as we are getting it in Kentucky. Why else did they raise it? [Laughter.]

Mr. BROWN. Well, Senator, we don't talk about that.

Senator MORTON. I know that, but it is a fact, and I do not—I am friendly toward the Fiji Islands and its people.

Mr. BROWN. Thank you.

Senator MORTON. I know a little about it, but I remember one day getting some orders in 1943 to take the first floating drydock that had ever been built out to the New Hebrides, and I was in command of the escort ships that took this out.

We towed the thing out with Liberty ships in 10 sections. Our speed of advance was an exciting, 6¼ knots.

We were a sitting duck. If any submarine had found us we were all gone. So my orders were to stay out of sight of land, and it took us 42 days.

The only time I knew where I was, I got a radar fix on the Fiji's, so I have a very sympathetic appreciation—that is the only time I knew where it was during the whole war, so I have a very sympathetic feeling, toward you and your problem.

I think you have made a good case, but I think you will be better off with your great efficient production in the Fiji Islands competing with the world because you can really do it. You can do it out there, there is no question about it.

I think you would be better off if you would just let us go on a world quota.

Mr. BROWN. Senator, you know I deeply appreciate all those kind remarks, and I agree with you about everything except that last part. Let us not force these little people to compete for an uneconomic market.

The CHAIRMAN. Senator Fullbright?

Senator FULBRIGHT. Congressman, how long have you been so closely identified with the Fiji's?

Mr. BROWN. About 18 months, and I was out there last fall, and I fell in love with that little country. They have quite an opportunity and, you know, we have overlooked them too long. They are pretty vital to us.

Senator FULBRIGHT. Well, I had not been aware of that. [Laughter.]

Mr. BROWN. Too many people have not, and that is what makes my job so hard.

Senator FULBRIGHT. Tell me, when did you sign a contract to represent the Fiji's?

Mr. BROWN. Well, January 25, 1961.

Senator FULBRIGHT. How much do you get for representing the Fiji's?

Mr. BROWN. I get $2,000 a month, and I hope it continues.

Senator FULBRIGHT. Plus expenses?

Mr. BROWN. Yes, sir.

Senator FULBRIGHT. Have you filed any reports under the Foreign Agents Registration Act?

Mr. BROWN. Yes, sir, filed them regularly.

Senator FULBRIGHT. Do you file your expenses together with your income?

Mr. BROWN. Well, I turn that over to my tax accountant; and the last report he said he filled it out the way he fills them out for all the other people. At least, we set forth every dime we spend.

Senator FULBRIGHT. It is a fact that none of them fill out the report as required by law?

Mr. BROWN. This is all new to me, you know, just the last year and a half. But if it ought to be changed, change it any way you want to, and we will meet the requirements because we have nothing to hide.

Senator FULBRIGHT. There is nothing wrong with the law. It is just they do not abide by it.

Have you looked at the way you have responded to that law?

Mr. BROWN. Well, I looked at it the last time it was filed, but frankly I did not pay too much attention to it.

Senator FULBRIGHT. Do you represent anybody except the Fiji's?

Mr. BROWN. Yes, sir. I represent the National Education Association, I represent the Fairchild Stratos Co.

Senator FULBRIGHT. I mean any other foreign nation?

Mr. BROWN. No.

Senator FULBRIGHT. Just the Fiji's?

Mr. BROWN. Actually, I represent the South Pacific Sugar Mills, Ltd. of Fiji, and Colonial Sugar Refining Co. of Australia which markets the sugar for Fiji because Fiji's sugar industry is not big enough to handle its own international market.

Senator FULBRIGHT. I was curious why you thought the purchase by Fiji of American tobacco was so important. What relation does that have to the sugar bill?

Mr. BROWN. Well, I think it has this relation: you know, several members of this committee, and when I was in the House several members talked about some way where we could get these countries from whom we buy sugar to buy U.S. agricultural commodities, that that would help us out.

Now, Fiji does buy an important agricultural product in tobacco, and frankly I helped work out where Fiji would buy brown rice from this country because that new rice mill over there could be a good solid market for the United States, and I would like to see our rice move in that direction.

Senator FULBRIGHT. What was the value of the tobacco that Fiji bought last year?

Mr. BROWN. I would like to supply that for the record, I do not have it. These are all small purchases, Senator.

This is a small country. It is about time, you know, a small city in the United States.

(Mr. Brown later submitted the following for the record:)

Total value Fiji 1961 tobacco purchases from United States, $253,000.

Senator FULBRIGHT. That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Brown.

Mr. BROWN. Thank you, Senator.

The CHAIRMAN. The next witness is John C. Duncan, Peruvian Sugar Producers Association.

Take a seat, sir, and proceed.

STATEMENT OF JOHN DUNCAN, EXECUTIVE VICE PRESIDENT, SOUTH AMERICAN GROUP, W. R. GRACE & CO.; ACCOMPANIED BY JOHN D. J. MOORE, VICE PRESIDENT, W. R. GRACE & CO.

Mr. DUNCAN. Mr. Chairman and members of the committee, my name is John Duncan. I am executive vice president of the South American Group of W. R. Grace & Co. of New York. In that position I am in charge of our South American operations. For 15 years I have been closely associated with Peru and the Peruvian sugar industry.

I appear before you today as the representative of the Peruvian Sugar Producers Association, a voluntary trade organization located in Lima. The association is composed entirely of private individuals

and companies engaged in the cultivation and manufacture of sugar in Peru. This organization has no connection with the Government of Peru and receives no Government subsidy.

I am accompanied here by John D. J. Moore, vice president of W. R. Grace & Co., who has testified on sugar legislation a number of times previously, and together we will be happy to try to answer any questions you may have after our prepared testimony has been read.

At the outset, Mr. Chairman, I should like to make perfectly clear the traditional position of the Peruvian sugar producers, who have been supplying the United States for more than 50 years. We have expressed in previous years before this committee that we recognize fully the primary claim of U.S. domestic cane and beet sugar producers in the market of their own country. We do not seek to replace a pound of domestic production but rather to ask for a fair and effective share of the foreign purchases of the United States, and to participate in a sound diversification of the American foreign sugar procurement.

We believe S. 3290 is a threat to the system which for a quarter of a century has provided the United States with an adequate and dependable source of sugar. Mr. Frank Kemp in his testimony before the House Committee on Agriculture on May 15, 1962, expressed this belief when he said:

> "Global quota," as the chairman has very aptly stated, means no quota at all. How, you may say, well, this does not concern you; this concerns these foreign countries. It does concern us because, as the chairman has expressed, this will mean the destruction of this system. I am so confident of that that I am willing to stand up here and say so.
>
> Now, what is the global quota? What will it do?
>
> (1) It may induce dumping on the U.S. market at the beginning of each new quota period.
>
> (2) It would disrupt the orderly marketing of sugar in the United States and thereby adversely affect domestic producers and sugar consumers.
>
> (3) There has been a distinct advantage to this country, it must be clear to all, in the ability that this system has given us to favor selected friendly countries by assigned shares in our market. A global quota would destroy this advantage.
>
> (4) Where we have given quotas we have had the right, and have used it, to ask the friendly recipients to assume some responsibility in maintaining stocks and supplies to cover our needs. We could not ask for this of anyone under a global quota.
>
> (5) We have enjoyed an uninterrupted adequacy of sugar supply because of quotas granted and the price premium realized in this market by foreign supplies.
>
> If the quota or the price premium is obliterated, assurance of adequacy of supply goes out the window with them.

Over the years the Sugar Act has demonstrated that it can protect consumers and producers alike by providing stability to the trade, fair prices, and a fair return. To Peru, the act means all this and more. It means a stable market and a stable price for one of its principal exports.

The Peruvians do not understand how the administration's sugar proposal can be equated with the many statements by President Kennedy, Secretary Rusk, and others concerning the need of friendly underdeveloped countries for reasonable and stable prices for their commodity exports. The proposals seem completely at variance with the principles of the Alliance for Progress. Believe me, gentlemen, the Peruvians do not understand the administration's position and neither do I.

One of the keystones of the U.S. Government's Alliance for Progress program has been the desire to strengthen, not weaken, the economies of the Latin American countries. A major point which has been emphasized is the desire to fortify the development of the private enterprise system in these countries. In Peru, the sugar industry is a major part of its private enterprise economy.

In the total economic picture of Peru, sugar is not merely an export commodity. It is vital to the economic well-being of the country, to balancing its internal budget, to employment, and to the stability of the currency. It is an important factor in providing revenue to the Peruvian Government in its effort to advance the standard of living of its people.

In 1961, sugar accounted for $71 million or 15.4 percent of Peru's total exports. To put this in focus, let me point out that an equivalent percentage of total U.S. exports would be $3 billion, or say that portion of our exports represented by all food products of every description.

The United States has frequently emphasized in recent months its desire to increase exports generally and its oversea sales of surplus agricultural products in particular. The Peruvians are now asking how the United States can expect Peru and other Latin American suppliers to purchase U.S. goods and products at U.S. prices when this country is unwilling to buy sugar from Peru at United States prices.

Taxes paid by the sugar industry to the Peruvian Government are estimated for the year 1961 at $19,400,000, accounting for 7.7 percent of the country's total tax receipts for that year. An equivalent percentage of total U.S. tax receipts would be $6 billion, or the combined tax payment of the steel, chemical, motor vehicle, electrical machinery, paper, and food industries.

There are about 40,000 sugar workers in Peru. With their families they number 220,000 people who are directly dependent upon the sugar industry for their livelihood. But many times this number are indirectly dependent upon the industry.

The price recapture provision of S. 3290 would require Peru to sell its sugar to the United States at normally depressed, so-called world market levels. The difference between the U.S. price and the world market price would be taken in by the Treasury Department through an import tax which, of course, is simply another and presumably more palatable name for a tariff.

It has been said that the benefits of the U.S. price have not helped the workers, but rather have stayed in the hands of the producers. In the case of Peru, this is not true. I would like to give you the Grace figures which I believe are typical of the Peruvian industry. I will compare 1959, the last pre-Castro sugar year, with 1961. In 1959 Grace sold about 16,500 tons of sugar to the United States. In 1961 we sold 93,500 tons. Thus the downfall of Cuba brought 77,000 tons per year more to Grace.

As Senator Douglas developed here, the U.S. price is $56 per ton higher than the present so-called world price. Thus, our 77,000 tons at $56 meant $4½ million more for Grace per year. What happened to the $4½ million per year? It has gone largely for increases in wages and other benefits to workers, and for taxes to the Peruvian Government.

Since 1959 our wages and other labor costs in dollars per worker per year have risen by no less than 69.5 percent. The increase between 1959 and 1961 amounted to $522 per worker. We have approximately 4,500 workers on our 2 farms. Thus, at $522 increase per year for each worker, our annual labor bill was up $2,300,000 over 1959. So 51 percent of the $4½ million we received for our higher sales to the United States has gone to the sugar workers.

In 1959 we paid $1,171,000 in Peruvian taxes on our sugar profits. In 1961 we paid $2,731,000. That is an increase, comparing one year with the other, of about $1½ million per year. So about 33 percent of our U.S. price has gone in taxes.

If you add the increased labor bill of $2,300,000 to Grace's increased tax bill of $1,500,000, you get $3.8 million, and that accounts for about 84 percent of the $4½ million Grace received from higher sales to the United States. The balance of $700,000 or 16 percent of the $4½ million was retained by the producer. As a matter of fact, our profits rose by only $400,000, because of the increase in other expenses.

The investments which Grace has made in its two sugar properties to modernize, reduce costs, and improve housing and other social facilities total about $9 million over the last 5 years. Of this amount we estimate that $3 million has been spent on housing and other social facilities, including hospitals, schools, housing, and recreational facilities.

Other companies in Peru are in the midst of identical programs. Peruvian sugar companies have been able to accelerate their capital investments because of the additional revenue derived recently from selling sugar in the United States.

It has also been stated before this committee that enactment of the administration bill will improve the U.S. balance of payments by saving $150 million in sugar imports. We maintain that this is open to question, because if we reduce our imports by $150 million then our exports over a period of time should go down by the same amount, unless other factors such as loans or grants come into play. In other words, gentlemen, to sell to someone you have to buy from him.

Peru, like other Latin American countries, is confronted with the very serious problem of having its major exports, on which it depends for its livelihood and economic progress, subjected to wide variations in world market prices. The United States Sugar Act provided Peru with a certain measure of stability along with a source of revenue it could count upon. However, if S. 3290 should be enacted, it would immediately throw Peru's sugar exports into the same state of uncertainty as its other exports.

Peru has always been a stanch ally of the United States. As a leader in combating communism, not only within its own borders but through the entire hemisphere, Peru severed diplomatic relations with Cuba before the United States, and has taken energetic action in the Organization of American States to rid the Americas of communism. In this and other instances it has always stood by the United States. It is also unique among nations as a proponent of the private enterprise system.

In this statement, the Peruvian Sugar Producers Association has sought to emphasize the very serious consequences which S. 3290 would

have on Peru should it be enacted into law in its present form. I hope that the committee's deliberations will result in a new and sound redistribution of the sources of supply to the United States, and that the Republic of Peru will be granted the equitable role in this effort which it merits on its record as a traditional and dependable supplier of sugar.

Thank you, Mr. Chairman.

Mr. Moore has a supplementary statement.

The CHAIRMAN. Thank you, Mr. Duncan.

Any questions?

Mr. DUNCAN. Excuse me, Mr. Chairman. Mr. Moore has a statement.

Mr. MOORE. Just one supplementary statement, Mr. Chairman.

I came here today specifically for the purpose of expressing our thanks to the Senator from Illinois, your colleague, Mr. Douglas, for his kindness and openmindedness in permitting us to file a statement on behalf of W. R. Grace & Co.

I had never met Senator Douglas before yesterday afternoon. The previous day I received a telephone call from Washington that there had been a colloquy here with some Government witnesses in which Senator Douglas had taken certain positions with regard to the Peruvian producers, including W. R. Grace & Co., and I must say I approached him with some trepidation.

He could not have been kinder. He not only discussed the matter with us in a completely understanding manner but urged us to put the statement in, and then further urged us to distribute the statement to which, with his permission, I believe we have now done.

In this letter, which I will not read because it has been given to you, we not only mention W. R. Grace & Co. but also the other sugar producers of Peru.

I would like to supplement with one sentence the statement on page 3 about the other producers in the light of a question which was asked this morning by Senator Fulbright with regard to the nationality of one of the largest producers.

The Senator referred to it as a German company, and I just wanted to point out, Senator, the name of the family, the controlling family, in that is the German name Gildemeister. The name is Negociacion Casa Grande. They are third or fourth generation Peruvians, and they happen to have that name just as some of our great names in this country, duPont and Weyerhauser have continental names, but they are fully established there, and they are a Peruvian company with some 200 stockholders in that country.

I say that in fairness to our neighbors, who are very responsible people in that country.

We will be happy to answer any questions about these Peruvian producers, and I wish again to express my appreciation to Senator Douglas for his kindness in this matter.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. I want to say that my relationships with you have been very pleasant indeed. I would like to ask you some questions about the Gildemeister Co., if I may. In my statement on Monday I put in the record my belief that W. R. Grace & Co. had approximately 18 percent of the Peruvian sugar acreage, and milled

approximately 21 percent of Peruvian sugarcane. I would like to ask if that is correct.

Mr. DUNCAN. Our exact percentage was 16.7 percent.

Senator DOUGLAS. 16.1 percent?

Mr. DUNCAN. Sixteen and seven-tenths percent of the entire production of Peru. We would have approximately 14 percent of the acreage.

Senator DOUGLAS. I see.

Mr. DUNCAN. Because we mill for some other people.

Senator DOUGLAS. These figures slightly overstate it.

Mr. DUNCAN. That is correct.

Senator DOUGLAS. May I ask you about the Gildemeister firm. What percentage of the acreage do they own and what percentage of the sugarcane do they process?

Mr. DUNCAN. The approximate percentage, I have figures here, production last year of the Gildemeister was 25 percent.

Senator DOUGLAS. 25 percent?

Mr. DUNCAN. I would guess they would have approximately that percentage of the acreage.

Senator DOUGLAS. So the two of you together have about 40 percent?

Mr. DUNCAN. That is correct, 42 percent.

Senator DOUGLAS. You referred yourself to the improvement of working conditions as being typical of Peru. Has the Gildemeister firm, do they pay the same wage scale that you do?

Mr. DUNCAN. Essentially, sir, yes.

Senator DOUGLAS. I understand that your wage scale is approximately $3 a day on the average, including overtime and fringe benefits.

Mr. DUNCAN. I had made a calculation here that our average wage scale, which includes the fieldworkers and the technical factory workers, and we have mechanized a great deal in our field operations. those people receive a great deal more, we cut almost 50 percent of our cane mechanically now in our haciendas, I have worked out that our average wage per day on a 294-day basis, is $4.36, including cash, social laws, and the cost of the company town, which we maintain.

Senator DOUGLAS. What would this be for the field hands?

Mr. DUNCAN. It would be slightly less than that. I would guess, just guessing, probably the $3.30 might be correct.

Senator DOUGLAS. My figure was for field hands.

Mr. DUNCAN. That is right. I think your figure you discussed yesterday was substantially correct.

Senator DOUGLAS. Does the Gildemeister firm pay the same rate?

Mr. DUNCAN. I would say they pay pretty much the same rate because one of our firms is right alongside of theirs, and we are in constant contact.

Senator DOUGLAS. You speak of housing which you have provided for your people. Have they provided the same amount of housing?

Mr. DUNCAN. I would say this, sir, that our company has probably been, as many foreign companies abroad, a leader in the housing program, and that the Peruvian companies are emulating us or coming along very satisfactorily in that sense. I think they have very adequate housing on their plantations. I think we probably are ahead of them.

Senator DOUGLAS. My information is that you are very considerably ahead of them.

Mr. DUNCAN. I say it is a matter of judgment. I do not know that.

Senator DOUGLAS. I notice you do not maintain the position that the added quota, which is given to you, rising from 108,000 in 1961, according to the House bill, to 200,000 in the House bill, was a vested right.

Mr. DUNCAN. No, sir. We in Peru have supplied sugar to the United States for a good number of years. We had a quota during the last 5 or 6 years of approximately 100,000 tons, and we feel that if the U.S. Congress decided they wished to buy sugar abroad under a quota system we should get our fair share of that quota system, and since we have been one of the largest full-duty suppliers of sugar, we feel that it is perfectly right that we should get an increase in the quota, if it should be decided by the Congress that an increase be given, and we do not feel that the additional so-called Cuban excess is a vested interest, by any means.

Senator DOUGLAS. Since the Senator from Kentucky and the Senator from Arkansas asked about legislative representatives, do you have a separate group of counsel in this country?

Mr. DUNCAN. Yes, sir; we do. We have the firm of Hedrick & Lane in Washington.

Senator DOUGLAS. How much do you pay them a year?

Mr. DUNCAN. They get paid, as I recall, $15,000 a year.

Senator DOUGLAS. Are they paid on a contingent basis? Does the payment increase if the quota increases?

Mr. DUNCAN. No, sir; it does not.

Senator DOUGLAS. You pay expenses in addition?

Mr. DUNCAN. If there are some expenses, yes.

Senator DOUGLAS. Would you state for the record how much the expenses were during the last year?

Mr. DUNCAN. I am afraid I could not; no, sir.

Senator DOUGLAS. Will you supply it?

Mr. DUNCAN. I will get it and obtain it.

(Mr. Duncan subsequently furnished the committee with copies of the expense statements of Hedrick & Lane which had been previously filed with the Department of Justice and the Congress. The total expenses for 1961 amounted to $1,133.57, and for the first quarter of 1962, $370.44.)

Senator DOUGLAS. Thank you very much.

That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Senator FULBRIGHT. Mr. Duncan, are you registered as a foreign agent?

Mr. DUNCAN. No, sir. I am an officer of W. R. Grace & Co.

Senator FULBRIGHT. You are here lobbying for the sugar bill.

Mr. DUNCAN. Well, I do not know how you define the word "lobbying" sir. I am naturally interested in Peru and our interests there.

Senator FULBRIGHT. You say here in your formal statement you represent the Peruvian Sugar Producers Association.

Mr. DUNCAN. I am representing them here today before you because they felt that with our interest in Peru and all, it would be good for an American firm to represent them.

Senator FULBRIGHT. Then, perhaps, you should register over in Congress here where our domestic lobbyists register.

Mr. DUNCAN. I am not paid to do this by the committee.

Senator FULBRIGHT. You are not paid?

Mr. DUNCAN. Not by the committee to do this; no, sir.

Senator FULBRIGHT. You are paid by the Grace Co.

Mr. DUNCAN. That is right, sir.

Senator FULBRIGHT. This is just a labor of love?

Mr. DUNCAN. An interesting experience, I would call it.

Senator FULBRIGHT. I noticed you say that the U.S. Sugar Act provided Peru with a certain measure of stability along with a source of revenue it could count on.

This is one of the points that the administration has in mind in rejecting these allocations of the Cuban quota, is it not, to preserve some flexibility, so that you do not have his stability, they are all looking to the time that, perhaps, Cuba might throw off the yoke of communism.

I raise the same question. If this bill, as the House passed it, is adopted, why then, you or Peru and W. R. Grace, and all the rest of them, will have a vested interest in preventing Cuba from ever coming back into our free world, won't they?

Mr. DUNCAN. Well, sir, under the House bill we would more or less double our quota from 100,000, 108,000, to 200,000, and this would be permanent for the next 4 to 5 years.

The additional amount of 150,000 of the so-called Cuban windfall, if we were to lose that in any year, this would not completely destroy the Peruvian industry, and I will say this: The Peruvian producers, in my judgment, would rather see Castro overthrown and a democratic free government in Cuba than get an extra 150,000 tons of sugar.

Senator FULBRIGHT. I think that is a very patriotic attitude for them to take.

Mr. MOORE. May I add something to that, Senator?

Senator FULBRIGHT. Yes.

Mr. MOORE. I happened to have been a member of the U.S. business advisory group which was invited to the Punta del Este Conference which opened the Alliance for Progress.

At that time, the most ardent opponent that the Cuban representative, Mr. Guevara had, was Peru, and Peru had kept up—I am addressing myself to your point about acquiring a vested interest in longevity of Mr. Castro.

Peru, it is fair to say, led the Latin nations, in fact, led the hemisphere, on this question of attacking Castro. They broke off with him.

Senator FULBRIGHT. I am aware of that, and I would hate to change this attitude by giving you such a large stake in preserving the status quo.

I am afraid the next Punta del Este, if you get this quota, you won't be so avid for change.

Mr. MOORE. I can say this——

Senator FULBRIGHT. That was before you got any quota.

Mr. MOORE (continuing). In 1956 when this committee was holding hearings, and the House committee was holding hearings, a great many countries testified, including Cuba, that a larger quota would

help them preserve their capitalistic systems against the onslaughts of communism, and it would help to keep them from going Communist.

The Peruvian producers especially requested the witness who was testifying on behalf of them to announce to the U.S. Congress that they did not, repeat not, propose or suggest, that they wanted to suggest this quota to keep them from going Communist; they would not go Communist with or without the sugar markets. They said that in 1956 and that position we know from our knowledge of Peru is their position today.

Senator FULBRIGHT. That is very generous of them.

Is the Peruvian industry an efficient one?

Mr. DUNCAN. Yes, sir; I would say it is one of the more efficient industries in the world.

Senator FULBRIGHT. Why wouldn't you fare well on an open market where you could bid on this matter without a quota?

Mr. DUNCAN. As some of the other witnesses have testified, in our judgment an open market would be dominated by the Communists, and the Communists have been able to, as we know, manipulate the price, drive the price down. We do know that Cuba's selling price in the world market today is below costs, and there is no reason why they would not continue to do that in the future.

If there were fair competition and open competition Peru could compete; yes, sir.

Senator FULBRIGHT. Then this argument should be equally applicable to all commodities and all business, should it not?

Mr. DUNCAN. I think in this really——

Senator FULBRIGHT. You are really advocating here that we have a completely managed world trade, I suppose?

Mr. DUNCAN. No, sir. I think sugar is different from most.

Senator FULBRIGHT. Why is it different from other commodities, coffee, for example?

Mr. DUNCAN. Because the Communists do not control the world market for coffee. The Communist countries today supply approximately 65 to 75 percent of the so-called free market, free world market, sugar, and they control it. And as far as I know they control practically nothing of the coffee, the world's coffee market.

Senator FULBRIGHT. You mean through Cuba?

Mr. DUNCAN. Through Cuba and through Eastern Europe. You will find Polish sugar, East German sugar in countries of South America today.

Senator FULBRIGHT. Has it proved, in taking the case of we have heard stories about, tin and aluminum, have the Communists undermined the prices of those commodities?

Mr. DUNCAN. I am not familiar with them completely, sir, but I understand they have tried at certain times; yes, sir. I am sure some of the Senators know.

Senator FULBRIGHT. That is all, Mr. Chairman.

Mr. Chairman, I would like to ask one more question before he leaves.

You said two companies produced 45 percent of all the sugar produced?

Mr. DUNCAN. Forty-two percent

Senator FULBRIGHT. What percent do the largest five companies produce in Peru?

Mr. DUNCAN. I could make a quick calculation for you. I presume they produce about 60 some odd, 65 percent.

Senator DOUGLAS. If I may volunteer, my records seem to show that the five largest mills produce approximately 73 percent.

Mr. DUNCAN. I think you are probably right. I was just working off the carpet.

Senator MCCARTHY. Produce 73 percent of all the sugar produced in Peru?

Mr. DUNCAN. That is right, sir.

Senator MCCARTHY. What percentage do the two or three largest companies produce, that is, export?

Mr. DUNCAN. The exports are rotated. In other words, there is a local market of approximately 250,000 tons, and that is divided up among all the producers, so each one exports the same proportion.

Senator MCCARTHY. I see.

Mr. DUNCAN. Either in the world market or the United States.

Senator MCCARTHY. What about wages and remuneration of workers? I heard your testimony on your company.

Is this pretty well standard for the entire country or is your record better than most of the other sugar-producing companies or individuals in Peru?

Mr. DUNCAN. As I told Senator Douglas, wages in our company are very close to the other large mills, the Gildemeister, which is located in the same valley with us, and since we have unions, very strong unions, they work together, so I would say we are quite typical of wages.

Senator MCCARTHY. You say you are not quite typical?

Mr. DUNCAN. No, we are typical. Our wages are quite typical.

Senator MCCARTHY. These two companies are leaders?

Mr. DUNCAN. That is right.

Senator MCCARTHY. What would this amount to, 50 percent of all production?

Mr. DUNCAN. Forty-two percent, as we calculate it.

Senator MCCARTHY. What about the rest of the producers?

Mr. DUNCAN. I think there are all variations. Some of the smaller producers, the small farmers which do not have their own mills, naturally pay a great deal less than the large industralized centers.

Senator MCCARTHY. You may have given it, but do you have any figures on hourly wages?

Mr. DUNCAN. Yes. I gave some figures to Senator Douglas. I said that our present calculation, all-in wages, social laws, cost of towns and so on, came to approximately $4.30 per day, working 294 days a year, in other words, a full year.

Senator MCCARTHY. A full year covered?

Mr. DUNCAN. Yes, sir.

Senator McCarthy. I hope I can get this information from some other source. At the time the United States imposed economic sanctions on Cuba there was a rather general protest against this practice from most of the Latin American countries. Do you recall if there is any Latin American country that joined in that protest that is not a sugar-producing country but is not willing to take a share of that quota?

Mr. Moore. I do not believe there is such a country, Senator.

Senator McCarthy. No such country. Thank you.

The Chairman. Thank you very much.

Mr. Duncan. Thank you very much.

The Chairman. The next witness is Mr. J. W. Riddell, Indian Sugar Mills Association.

Take a seat, sir.

STATEMENT OF JAMES W. RIDDELL, COUNSEL, INDIAN SUGAR MILLS ASSOCIATION; ACCOMPANIED BY DEV D. PURI, PRESIDENT, INDIAN SUGAR MILLS ASSOCIATION

Mr. Riddell. Mr. Chairman, my name is James W. Riddell. I represent the Indian Sugar Mills Association.

I am accompanied here by Mr. Dev Puri, who is the president of the association, and a member of the Indian Parliament from the State of Punjab.

The Indian people have long been associated with the growing and processing of sugar and, in fact, developed the art of sugar making at least 3,000 years ago, long before Europe was introduced to its taste.

Today the Republic of India is probably the world's largest sugarcane producer, producing around 84 million tons of sugarcane on 5.2 million acres of land. This accounts for about one-third of the world's total acreage of sugarcane.

The cane from this acreage results in an annual sugar production of about 7.5 million tons believed to be the highest in the world. Of this, about 3.6 million tons (raw value) are centrifugal sugar, produced by vacuum pan factories. The rest is "Gur" and "Khandsari" which are indigenous forms of sugar.

Individual landholdings are small, with over 4½ million growers dividing the total acreage under cane. When these growers are taken together with their dependents, it means that over 20 million Indians derive their livelihood directly from the production of sugarcane. In no other country in the world do so many people depend on sugarcane for their livelihoods.

When this number is added to the number of people directly employed by the sugar processing industry, the second largest industry in India, is means that over 21 million Indian people are directly dependent upon the sugar industry for their livelihoods.

But the importance of the sugar industry to the Indian people does not stop with even this large number of individuals, for the whole population of India, that is around 438 million people, are concerned with the welfare of the Indian sugar industry since sugar has a big export potential and can, if encouraged, become an important source of foreign exchange to India.

The principal sugar producing belt of India is comprised of the three States of Punjab, Uttar Pradesh, and Bihar. These States, as you know, share a common boundary with Communist China. The standard of living of these people is quite low by our standards and the methods used by them in the production of cane are, of necessity, far less efficient than those used in other parts of the world.

For example, yields per acre run about 16.24 tons as a national average in India. This low yield is to be compared with Hawaii's 80 tons per acre, Java's 50 tons, Formosa's 30 tons per acre, and Puerto Rico's 25 tons. These people are friendly to the United States—they are certainly not the friends of Communist China—but they need a market for the commodity on which they depend for a living.

Today they find themselves confronted not only with a surplus of sugar in their own country and in the free world, but they find that Cuban sugar which has been exported to the Iron Curtain countries is beginning to invade their own markets. For example, last year China sold 30,000 tons of Cuban sugar to Burma, and Poland last year announced the sale of 40,000 tons of Cuban Sugar to Ceylon.

Any quota granted by the United States to these people would be deeply appreciated.

It is not the purpose of my appearance here to persuade this committee in any respect as to the amount of sugar it should allow to the domestic producers of the United States. I appear here only to advance the plea of India that it be allowed to share in that part of the total U.S. sugar consumption which this committee and the Congress decide should be supplied by foreign producers.

While it is true that the developing country of India needs all of the assistance that it can obtain from the United States—that every bit of economic aid given by the United States to India advances the cause of the United States in its fight for a free world against communism, and that every dollar of U.S. economic help assists in raising the living standard of the Indian people and helps them along the road to progress, I do not pitch my arguments in support of a U.S. sugar quota for India on these grounds alone. Rather, I base my case—the case of India—for a quota upon the sound business proposition that every dollar earned by India through the export of sugar to the United States will be returned to the manufacturers, merchants, and farmers of the United States in trade.

India's 438 million people bring to the citizens of the United States one of the largest and least-developed markets of the world. The people of India need everything—but to purchase the goods and services offered by the businessmen and farmers of the United States, they must have the dollars with which to do business. Few American businessmen today find themselves in the position of doing business with India for rupees.

American businessmen and farmers wish to receive dollars in exchange for their goods and services, but it is impossible for India to do business on this basis if it is not given an opportunity to earn dollars. Sugar is a commodity upon which India is chiefly dependent at the present time to expand her dollar revenues.

The United States needs sugar—India can supply the sugar—India needs the manufactured goods and agricultural commodities from the

citizens of the United States. Indian sugar, if it can be sold in the United States, will supply those dollars.

India's balance of trade with the United States is a most unfavorable one, as is demonstrated by the following figures:

United States-India trade

[In millions of dollars]

Year	Imports from United States	India exports	Net deficit for India
1956	267	205	63
1957	340	187	153
1958	323	162	161
1959	390	190	200
1960	640	230	410
1961	482	254	288

Source: U.S. Department of Commerce.

If India is to continue to trade with the United States then it must be permitted to sell to as well as buy from the United States. If the Congress of the United States grants India a sugar quota, reliable source of dollars will be made available to India and India's purchases, whether of cotton, wheat, locomotives, hydroelectric equipment, machinery, and so forth, will redound to the benefit not only of its own citizens, but to the men and women of the United States involved in the production of these goods and services.

Mr. Chairman and members of the committee, India is now and will continue to be in a position to supply the United States with 1 million tons of sugar per year, assuming that the world continues in peace, and as I have said, if India is permitted to sell to the United States 1 million tons of sugar, or any other commodity, every dollar earned by India in so doing will be spent in the United States.

Under the provisions of H.R. 12154, as passed by the House, India would be accorded a quota of 30,000 tons. Additionally, for the calendar year 1963, 100,000 tons would be authorized for purchase from India.

It is our understanding that this allocation, which is derived from the 1.5 million tons remaining in the Cuban quota, would be allowed on a year-to-year basis if India finds it possible to purchase dollar-for-dollar U.S. agricultural commodities.

While members of the Indian Sugar Mills Association and farmers and citizens of India who rely upon sugar for their living are grateful for the consideration that they have thus received, it is our hope that you will increase the share of the U.S. market to which India is entitled.

Senator Douglas (presiding). Thank you very much, Mr. Riddell.

Mr. Riddell. Yes, sir.

Senator Douglas. May I ask if India has received a permanent quota prior to the House bill?

Mr. Riddell. No, it has not, sir.

Senator Douglas. But it received a temporary quota under the——

Mr. Riddell. That is correct, sir.

Senator Douglas (continuing). Under the 1960 or 1961 act?

Mr. Riddell. That is correct, sir.

Senator DOUGLAS. But, as you say, under the House bill it will receive 30,000 tons permanent, 100,000 tons temporary, for a total of 130,000 tons.

Mr. RIDDELL. That is right, sir.

Senator DOUGLAS. Now, the figures which I have produced indicate that the American price paid to foreign producers is approximately $56 a ton in excess of the world price. This amounts to an annual subsidy of $7,280,000 a year. Are those figures approximately correct?

Mr. RIDDELL. Senator, under the House bill India would be in a position to earn gross $16,380,000 in foreign exchange. Net she would be permitted to, by the House bill, earn $13,482,000.

Now, those dollars would be expended, as you already know, for locomotives manufactured in Illinois, for cotton grown in Arkansas, and for wheat grown in the wheat-producing areas of the United States and for other goods and services purchased in the United States.

Now, you say that there is a subsidy accorded here, and without a doubt examining the problem as a matter of pure economics, that is a fact since if you judge the price which the United States ought to pay on the difference between what it does, in fact, pay and a chaotic market price which is uneconomic to the producer, there is a difference without a doubt. I do not personally feel that the world price today is a fair or economic price.

Senator DOUGLAS. In other words, under the House bill, the United State will be paying to India producers approximately $7,250,000 a year more than we would pay if we bought at the world market price.

Mr. RIDDELL. Yes; that is true.

Senator DOUGLAS. And you want to have the Indian quota increased from 30,000 permanent and 100,000 temporary to a million tons.

Mr. RIDDELL. I said, Senator, that we could supply that amount of sugar.

Senator DOUGLAS. Well, you say if India is permitted to sell to the United States 1 million tons. Are you asking for a quota of a million tons?

Mr. RIDDELL. Senator, I am in the position of being a beggar here. We would be happy to have every ton that you permit us to sell here.

Senator DOUGLAS. Well, the United States has been very generous toward India.

Mr. RIDDELL. I beg your pardon?

Senator DOUGLAS. The United States has been very generous toward India. I have brought down upon my head the ire of the newspapers in Illinois many times for voting for aid to India. We want to strengthen India.

Now, how much do you think we should strengthen you by?

Mr. RIDDELL. Well, Senator, this is a matter, as I said before, of pure business. This is one of the things that India can sell, if she is given an opportunity to sell. Every dollar that you let her earn, she will spend here. This is an opportunity for India to stand up and sell.

Senator DOUGLAS. When you say "it is our hope that you will increase the share of the U.S. market to which India is entitled"——

Mr. RIDDELL. And I do, sir.

Senator DOUGLAS. To what share of the U.S. market is India entitled?

Mr. RIDDELL. Sir, that is for you to determine.

Senator DOUGLAS. But it should be more than 130,000 tons.

Mr. RIDDELL. I would hope that that would be the case, sir.

Senator DOUGLAS. 200,000 tons—would you reject that?

Mr. RIDDELL. Not at all.

Senator DOUGLAS. Would you reject 300,000 tons?

Mr. RIDDELL. Not at all.

Senator DOUGLAS. 400,000 tons?

Mr. RIDDELL. Senator, I said that we could sell up to a million tons of sugar.

Senator DOUGLAS. You would accept a million tons?

Mr. RIDDELL. Yes.

Senator DOUGLAS. Are you aware that that would be a subsidy which the American taxpayers would pay to the Indian sugar producers of approximately $56 million a year?

Mr. RIDDELL. We have gone through the mathematics of it. I think it would be a fair price.

Senator DOUGLAS. No; it is simple arithmetic—$56 million a year.

Mr. RIDDELL. I am aware of it.

Senator DOUGLAS. For 5 years—or $280 million?

Mr. RIDDELL. Correct.

Senator DOUGLAS. Well, you may remember that Warren Hastings, when he came back from India, and was put on trial, said he was astonished at his own moderation. I am astonished at the moderation of the representatives of India, who only want $280 million.

Now, is India a member of the Commonwealth Sugar Agreement?

Mr. RIDDELL. No; she is not.

Senator DOUGLAS. You sell your sugar in the open market?

Mr. RIDDELL. Yes.

Senator DOUGLAS. You have a surplus in sugar—you produce more sugar than is used domestically?

Mr. RIDDELL. Yes; we do, sir.

Senator DOUGLAS. Well, if you had that surplus, would you not be pleased to sell it to us at the world price?

Mr. RIDDELL. Senator, India is in the position where she is going to have to do anything she can to earn dollars. And it is true—if the United States, by the action of this committee, and of the Congress, is going to purchase its sugar at the world price, then India will be here attempting to sell what it can.

Senator DOUGLAS. You are now selling at the world price, are you not?

Mr. RIDDELL. Yes; that is correct.

Senator DOUGLAS. Yes. Well, then, if we were to buy from you at the world price, we would be helping you, would we not?

Mr. RIDDELL. We are selling in our own area, Senator, in Asia, in southeast Asia at the price being fixed by dumped, secondhand Cubas, that are being taken through Communist China, and through Communist Poland, and dumped into the Indian-Asian market. In other

words, we are selling at the market that is being fixed by the Communist. And the market price which I understand we will be selling in the United States, under the global quota, too, will be fixed by dumped, secondhand Cubas, which are taken through Communist countries, and then dumped on the market.

Senator DOUGLAS. Has India protested at this treatment?

Mr. RIDDELL. I do not know. I do not sit here representing the Government of India. However, I will be glad to inquire and place the information in the record if the Senator desires.

Senator DOUGLAS. Well, Mr. Riddell—the Senator from Arkansas and the Senator from Kentucky have asked questions about fees.

May I ask what the fees of your law firm are for the Indian sugar producers?

Mr. RIDDELL. Yes, sir. They are on file with the Justice Department. I negotiated the agreement with Mr. Puri. I am in a position to answer that.

My firm would be paid at the rate of $33,000 per year for 3 years.

Senator DOUGLAS. Is that contingent on quota?

Mr. RIDDELL. No; it is not, nor tonnage, nor any other contingency.

Senator FULBRIGHT. Will the Senator yield?

Will it be paid that if the House bill does not pass?

Mr. RIDDELL. If the House bill does not pass, the agreement which I have here, Senator—I would be happy to read it, if you like.

Senator FULBRIGHT. I know the agreement. You have filed it, have you not, with the Department of Justice?

Mr. RIDDELL. Yes, sir.

We mutually agree that at the end of the first year the India Sugar Mills Association would have the right to terminate the agreement. That was a provision that we added to the agreement, not that our clients insisted upon.

Senator FULBRIGHT. What I mean is, if the House bill is passed, you will get $99,000, plus $15,000 in expenses. If the House bill does not pass, you will get $50,000 and $5,000 expenses. Is that correct?

Mr. RIDDELL. No; that is not correct. And the expenses are what we call vouchable expenses. If they are not incurred on behalf of the India Sugar Mills Association, we do not draw them, they are not a part of our fee.

Senator FULBRIGHT. Wouldn't you call that at least semicontingent?

Mr. RIDDELL. No, sir; I do not.

Senator FULBRIGHT. It is contingent upon the passage of the House bill, is it not?

Mr. RIDDELL. No; it is not dependent upon the passage of the House bill. It is dependent upon—if there is any contingence at all, it is dependent upon the desire of India—the India Sugar Mills to continue to employ my firm.

Senator FULBRIGHT. Is this not correct—from your own statement, and I quote:

> if the Sugar Act Amendment of 1962 extends the Sugar Act of 1948, as amended, for a period of 3 years or longer, then $33,000 per year, but not exceeding $99,000, together with expenses——

Mr. RIDDLE. I see, Senator.

Senator FULBRIGHT. If that bill does not pass, is not extended 3 years, you only get $50,000, do you not?

Mr. RIDDELL. I have been using the term "contingent" in that usual and normal sense of a lawyer, as a term of art.

There are conditions in the language of the agreement. I just read one of them.

Senator FULBRIGHT. Well, I took it from your own statement.

Mr. RIDDELL. I do not regard the employment of my firm as on a contingent basis in any respect, nor do my clients.

Senator FULBRIGHT. No. It is contingent upon your success before this committee of the Congress. That is the way I use the word "contingent." I did not mean—well, I apologize. I just wanted to clarify this.

Senator DOUGLAS. Do I understand——

Mr. RIDDELL. As I say, Senator Fulbright, I have the agreement with me. I would be glad to put it in the record.

Senator DOUGLAS. Do I understand the situation that you have an outright fee of $50,000 plus $5,000 for expenses, even though no quota is received?

Mr. RIDDELL. That is correct, sir.

Senator DOUGLAS. And that you get $33,000 a year for 3 years if India gets a quota which will operate for 3 years or longer?

Mr. RIDDELL. That's correct, sir.

Senator DOUGLAS. Or a total of $99,000?

Mr. RIDDELL. That is right.

Senator DOUGLAS. You get $15,000 in addition, for expenses?

Mr. RIDDELL. If necessary—if amounts are expended.

Senator DOUGLAS. Now, is that $15,000 a year or $15,000 total?

Mr. RIDDELL. Total.

Senator DOUGLAS. Thank you. I have no further questions.

Senator MORTON. How far is it from the port of exit in India to the port of entry, the nearest port of entry in this country, for sugar?

Mr. RIDDELL. Generally speaking, about 35 days. The statute miles, sir, I do not have the information. I will supply it.

Senator MORTON. That's all right.

Mr. RIDDELL. It takes, as I said before, just as long for a ton of India sugar to get here as it does for a bale of our cotton to get over there.

Senator MORTON. Yes. I yield to the Senator from Arkansas.

Senator FULBRIGHT. I have just one last question. When did you make this contract to represent the Indians?

Mr. RIDDELL. We formalized the agreement on May 21, 1962.

Senator FULBRIGHT. It was made, then, solely for the purpose of influencing this particular bill, was it not?

Mr. RIDDELL. I do not so state at all, because it is not the fact. We have agreed to represent our client in this period, during this period, to do whatsoever is required in their interests.

Senator MORTON. You've got something on me—you are a lot younger than I am. So you do not remember the price of sugar in World War I. But as a student of this problem, why did we have sugar at 30 cents a pound in World War I, and why did we have to ration sugar in World War II?

Mr. RIDDELL. Because the demand for the product in the United States exceeded all of its possible sources of supply. There just simply was not the sugar. There will not again, in my view, Senator, be sugar available to the United States if the countries who supply it have to

enter into a sort of maritime footrace with each other to get a boatload of sugar into the United States.

Senator MORTON. Is our high price in World War I and our shortage in World War II—did that come about because there was a lack of sugar in the world?

Mr. RIDDELL. Senator, as you pointed out, I was not around in those days. I am drawing upon memory of things that I have read. As I understand, there was sugar in the world. It just could not be gotten here. Ships were hauling far more important things.

But if I also remember, Senator, after years of starvation prices to the growers, many canegrowers became discouraged and they decided that "We won't plant a crop for which we cannot make a living wage," and they ceased to plant it. And the price went back up again. And that may well happen again.

I do not know, Senator. I am not an economist; I am a lawyer. As most lawyers, I take my case where I find it and I gather what information I find useful to me, and I brief my opponent's case. But here I think that the weight of opinion in the sugar industry, and among the economists most familiar with the field, is that if a commodity cannot be sold at a reasonable price in a given period of time, that production of the crop will cease.

Now, if the United States wishes to make demands on the free world's sugar-producing countries—we have a preferential market because we have a preferential price. And countries are willing to make the sugar and hold it for the United States, to get that premium. I am not sure they are going to be any more willing to do that with sugar than they have been with tin or copper or any other commodity.

Senator MORTON. Well, I am neither a lawyer nor an economist. I have one son who is a lawyer and another one who is an economist. I do not think much of either one's opinion, frankly.

I think you will find, however, the difficulties that we had in sugar in the two World Wars: First, price in World War I and second—price and supply—and second, supply and the rationing restrictions in World War II came about not because there was a lot of sugar in the world, not because there were not countries in the world that had sugar, friendly countries who wanted to sell it to us, but we just could not get it here.

I ran the milk run—they called it the milk run—it ran from Trinidad to Hampton Roads. It was a tough run in 1942—convoying broken-down freighters that could not do more than about 10 knots, and we had to fill them with cobalt and things we just had to have. We lost a lot of shiploads of sugar to submarines in the war.

My point is this: Why are we—and I certainly appreciate the good case you are making for India, but my point is this: If we are going to have to set basic quota offshore, can't we set it somewhere closer to home? It is bad enough to have to take a ship around Hatteras, but it is a long haul from India.

Mr. RIDDELL. Certainly, Senator, that would be a consideration. But as I said before, Senator, if India's 438 million people are going to buy in the United States, they are going to have to sell here—it is simple economics. No ability to earn dollars, no ability to buy.

Senator MORTON. I cannot agree with you more. And I have voted for and supported programs to help India, and I expect to continue to do so.

But I say let this question of exports, let this question of trade, let this question of aid, stand on its own bottom, and get it out of an agricultural program here in the United States. I do not see how the two relate.

I am sure that the Senator who just left, the distinguished chairman of the Foreign Relations Committee—and India has no better friend in the Senate than Senator Fulbright——

Mr. RIDDELL. We know that, sir.

Senator MORTON. And he shares with me a certain degree of apprehension about this bill, because you are putting Congress right in the middle of your whole foreign policy implementation.

I got a letter here—I will show you how this thing works. It has been stated that the Congress can resist pressures more than the administration, which somewhat amuses me.

Here is a letter. And I do not want to divulge the name because I have not asked him for permission. But it comes from an osteopathic surgeon in Fort Lauderdale, Fla., who writes to me. I haven't got a vote in Florida. I do not guess this man has a patient from Kentucky. But he writes me "Re sugar quota for British Honduras." And he goes into a four-paragraph letter here giving me every reason why we should increase—not take the House bill but increase what is in there for British Honduras. And I suppose I will get one from a dentist in Los Angeles asking us to increase the Indian quota that is already in the House bill.

And you talk about pressures.

This is no place to allocate these quotas. The Congress of the United States is no place.

I have had the high privilege of visiting India. I think it is a wonderful country. I think its agricultural economy, whereas it is somewhat a lot to be desired, but it is coming along, coming along fine. I want to see them get a share of the sugar market. I do not see why, on the world market, they would not get a good share of it. And I do not see why our Secretary of State, our Secretary of Agriculture, our President, would not try to see that they got the fair proportion of this market. But I do not see why we have to write into law something that tells us that we are going to have to rely on India for sugar in case of war—and I disagree with those who say that any next war may be a short war. We have said that about the last two wars.

If they decide not to use the atom bomb, as they did not use poison gas in World War II, it could be a long war, if we ever get into another one.

And why are we setting up a quota, and building the Indian people and their economy, grinding them into this thing, when if a war came we would not any more—we would not bring a pound of sugar from India. Any sensible person knows that.

Mr. RIDDELL. I am afraid, Senator, if we have another World War no one will be bringing sugar from anywhere. But in any event, if there is another Suez or Hungarian crisis which comes along, India

stands willing, ready, and able to supply whatever sugar to the United States that it can sell here.

Senator MORTON. Well, I think you have been very frank. Let me say this. I will be equally frank. There is no disposition on our part, or, I think, on the part of anybody on this committee to take action which would be unfriendly toward India or any of the other of our stanch friends and allies who appeared and will appear on this bill.

But I must say I think everybody is going to be better off, and the world's price of sugar is going to be better off, if we adopt some form of global quota.

Now, then, to be equally frank with you—you have been frank with me—if precedent is carried out, Mr. Cooley will have his way and the House bill will be passed.

Senator DOUGLAS. Senator Williams.

Senator WILLIAMS. Mr. Riddell, you referred to the fact that India was buying substantial quantities of cotton and wheat, and paying cash.

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. Are they paying dollars, at world market price?

Mr. RIDDELL. Yes, sir, Senator for much of it.

I have here an agreement that was negotiated with respect to our last allocation of sugar. India purchased—with the sugar money, from the last 50,000 tons that she could sell in the United States—for cash, 44,000 bales of cotton.

Senator WILLIAMS. And that was paid for with American dollars?

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. At the world market price, no discount?

Mr. RIDDELL. That is correct sir.

Senator WILLIAMS. Now, how much other quantities of wheat or cotton has India purchased during the past 12 months, and how was that paid?

Mr. RIDDELL. They purchased very large quantities, sir, under Public Law 480. They also purchased for cash wheat in the amount of—will you excuse me, sir? We believe we purchased 100,000 tons for cash.

Senator WILLIAMS. Of wheat?

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. And how much cotton?

Mr. RIDDELL. 44,000 bales that I know of, and I think more—for cash.

Senator WILLIAMS. That is for dollars?

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. At the world market price?

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. Now, how much did you buy under Public Law 480 last year?

Mr. RIDDELL. I know, Senator, that India negotiated an agreement to purchase 1 million tons of wheat under 480, and that agreement has been proceeding along normally. I do not have it broken down by commodities.

Senator WILLIAMS. Now, on the 1 million tons that you purchased, how did you pay for that?

Mr. RIDDELL. Under Public Law 480.

Senator WILLIAMS. In other words, you paid for it with Indian currency, which would be respent in India, and the American taxpayer would in effect get no dollar return at all from that million tons?

Mr. RIDDELL. That is correct, sir.

Senator WILLIAMS. Now, would you be willing to trade some sugar on the same terms?

Mr. RIDDELL. Sugar for cotton?

Senator WILLIAMS. For some of the 480?

Mr. RIDDELL. If I understand the House bill, the House bill provides that the allocations will not be considered—that is renewed, since they are on a year-to-year basis—unless agricultural commodities are purchased from the United States, dollar for dollar.

Senator WILLIAMS. Now, how much cotton did you get under Public Law 480 last year?

Mr. RIDDELL. I have referred to that we purchased for cash. I do not know—I do not have the figures under Public Law 480 with me. I can supply them for the record.

Senator WILLIAMS. Will you supply——

Mr. RIDDELL. Just a moment, Senator, perhaps I do have something here.

In 1960, 1961, $40,090,000 worth of cotton were purchased under Public Law 480; $20,061,000 worth of cotton were purchased for cash.

Senator WILLIAMS. Yes; and on the wheat, it was 1 million tons that you got under Public Law 480, and 100,000 tons you paid for in cash.

Mr. RIDDELL. Yes; the 1 million tons, Senator, is being delivered over a period of 4 years.

Senator WILLIAMS. That is right. But for the record, to keep the record straight, while we refer to the Public Law 480 sales, they are in effect grants.

Mr. RIDDELL. Purchases for rupees.

Senator WILLIAMS. Yes; they are payable in the currency of India. And we do not get those—we only can respend them in your country upon agreed programs.

Mr. RIDDELL. Yes, sir.

Senator WILLIAMS. So in effect, when we speak of the sales, I mean India's purchases, there is the million tons of wheat and the $40,090,000 worth of cotton, are in effect grants.

Mr. RIDDELL. That is correct, sir.

Senator WILLIAMS. Thank you.

Mr. RIDDELL. It comes right back to this point, Senator.

Unless India can develop a market here to earn dollars, her foreign exchange position is reduced to nothing. Unless she can sell for dollars, she cannot buy for dollars.

Senator WILLIAMS. I appreciate that, and have great sympathy for the problem of the dollar shortage. Occasionally some of us get confronted with a dollar shortage here in this country, too, and it may be a situation that we would have to take care of some of that at the same time.

Mr. RIDDELL. Yes, sir.

Senator CARLSON. Mr. Riddell, you made a statement that intrigued me a little, because I have been concerned about the section of the language in the House bill and the report regarding the consideration that must be given or should be given for the purchase of agricultural commodities to countries that we assign quotas.

Is it your understanding that the House bill or the House report—that the language would require that they give real consideration to it, or take that as a part of the quota assignments?

Mr. RIDDELL. I draw my conclusion, sir, from what I understand to be the fact, in conversations with members of the House Agricultural Committee and statements made by those responsible for the bill in the House, wherein it was stated that unless the countries which receive allocations from the reserved Cuban quota, purchased dollar for dollar American agricultural products, they would not receive it again. And this is granted on a year-to year basis.

In other words, if India does not purchase agricultural commodities for the 100,000 tons allotted to her under the House bill, then when it is reconsidered, if I understand the intent, they would not again be eligible to receive any allocation.

Senator CARLSON. Well, now, your last statement, then, is based on the hearings—not the hearings but on the debate in the House on the bill?

Mr. RIDDELL. Yes.

Senator CARLSON. Which I have not read—and I was interested in.

Mr. RIDDELL. I am unable to state the reasons why the language was not—why this was not in the report—but there were several questions asked of Congressman Poage of Texas, precisely on this point, and there was unanimity of agreement among the committee members in the House responsible for the bill that this was the case.

Senator CARLSON. Well, I did notice that the House did strike out the language in the bill we had last here, which stated specifically that except that special consideration shall be given to countries of the Western Hemisphere, and to those countries purchasing U.S. agricultural commodities. And now, that has been stricken out. That is not in the House bill.

I have here the report. While it mentions it, it is not as strong as I would like to see it. It might be that in the debate congressional intent might be carried out. And this section in the report reads this way:

> In making the temporary allocations for 1963 to other nations from the Cuban reserve quota, the Congress will review and take into consideration among other factors the purchases that the various sugar-producing countries of agricultural commodities from the United States.

That is one suggestion.

> And will given special consideration also to good neighbor countries of the Western Hemisphere.

I am glad to get your statement on it, because I am hoping to make it stronger in the legislation itself.

I thank you very much.

Senator DOUGLAS. Senator Gore.

Senator GORE. No questions.

Senator DOUGLAS. Thank you very much, Mr. Riddell.

Mr. RIDDELL. Thank you, Senator, for the opportunity to appear before the committee.

Senator McCarthy. Mr. Chairman, may I just ask a question?

Senator Douglas. Yes, indeed.

Senator McCarthy. Apart from the question of how the quotas are allocated, is it your contention that the so-called premium prices we pay above the world market really establishes only a reasonable price for sugar?

Mr. Riddell. Yes, sir.

Senator McCarthy. The distribution of it is another problem, and the manner in which the premium payment may be used in the recipient country. It is the contention of those familiar with this industry that this added to the world price is not an unusual payment for sugar, as it averages out throughout the entire sugar-producing area of the world.

Mr. Riddell. Yes, Senator.

Senator McCarthy. So we have two problems. This settles one. The second, then, is the question of how the quotas are allocated and along with that, the question of who is to make the allocation.

Mr. Riddell. Yes, sir.

Senator McCarthy. It seems to me there are now at least four or five quotas to consider. There is the global quota, and the Cooley quota, and I have a quota. There may be more around here before we finish.

Mr. Riddell. I would appreciate your consideration, Senator.

Senator Douglas. Any other questions?

Thank you very much.

Senator Douglas. The next witness is Mr. Ralph Gardner, representing, as I understand, the Mauritius Chamber of Agriculture.

Mr. Gardner, we welcome you. There was a little byplay a couple of days ago as to the location of Mauritius. The Senator from Oklahoma stated he was not quite certain where it was. I think we finally have located it.

May I ask, is this the island to which the British Government exiled Archbishop Makarios of Cyprus?

Mr. Gardner. No, sir, not that I know of. Not Mauritius.

Senator Douglas. I rather think it was. Nonetheless——

STATEMENT OF RALPH GARDNER, ON BEHALF OF MAURITIUS CHAMBER OF AGRICULTURE, PORT LOUIS, MAURITIUS

Mr. Gardner. Mr. Chairman, my statement is a little different from anyone else's, as you will see, because it has developed in these hearings there was a great lack of knowledge of this country, its location, its geography, its history. I am not going to read that. I am going to speak extemporaneously, but try to cover generally what is in this statement.

I notice the Under Secretary of Agriculture did not know where Mauritius was. The chairman of the Agriculture Committee thought it was in Africa this morning. And that has been a lot of confusion. Even the press has constantly called me. So I'll just take a few minutes to tell you something about it.

My name is Ralph W. Gardner. As a member of the law firm of Gardner, Morrison & Rogers, 1126 Woodward Building, Washington 5, D.C., I represent all the sugar growers of the island of Mauri-

tius and the Mauritius Chamber of Agriculture, Port Louis, Mauritius.

Gentlemen, I must state, and you will notice my testimony before the House Agricultural Committee, that Mauritius, my clients, did not oppose the administration bill. We took no stand at all. I think it probably was the only foreign country that did not oppose the administration bill.

Mauritius is an island situated in the Indian Ocean, which is a very large ocean, as you know. It is the third largest. Actually it is larger than the Atlantic, but the amount of bays, of the Bay of Bengal, and so forth, are not credited to the ocean.

It is 1,600 miles east of Africa. We are in between Africa and India. We are 2,500 miles south of India.

Mauritius is a very small island. As a matter of fact, I expect the counties that each member of this committee come from are larger than the island of Mauritius.

Mauritius is approximately 10 times the area of the District of Columbia.

We are right proud of its record and what it has done.

It is a very small island. However—and this has not been brought out—Mauritius is the seventh largest exporting country of sugar in the world.

I understand recently, with recent allotments to Peru and Mexico—we are probably ninth now. But we have for 200 years been a strictly sugar country, and we are well known all over the world, except in the Western Hemisphere, apparently.

We have a very large population—650,000 people, with a density of 900 persons per square mile—and except for Nationalist China, no other country in the world has a population density approaching that of Mauritius.

Now, the history is very colorful and interesting, and you can read it on page 2, if you care to.

It is a British possession now. They took it away from France because of its strategic position. It sits in front of the Suez Canal. All traffic in that area goes by it. It is a communications center now. And it is a strategic point.

Incidentally, we have for the last 20 years been moving toward complete independence, and we expect to receive it, an opportunity to vote, within 2 years. So we will be independent of England, if it is so voted.

Our population is comprised of 181,000 Europeans and descendants of Europeans and people of African and mixed origin—427,000 Indians, and 22,500 Chinese. That is rather a mixed up ethnic group. We have lived together, we have worked together, and we get along well together, we go to school together, we are educated together. It has been a very progressive, forward moving nation. And England feels that we deserve complete independence. Of course, at present we are a crown colony.

Although a very small country, Mauritius has had longstanding trade relations with the United States. Unfortunately it has been on a virtually one-way traffic basis—Mauritius importing and the United States exporting. This one-way traffic is not healthy and cannot continue indefinitely.

Prior to World War II, Mauritius imported American goods on a fairly large scale: motor cars and parts, plows, tools, motors, machinery, chemicals, agricultural tractors, lubricating oils, sugar-making machinery, Virginia bright leaf unmanufactured tobacco, and so forth. For a period after the war these imports were somewhat reduced because Mauritius was not a dollar-earning country; however, Mauritius was able to continue the importation of Virginia bright leaf unmanufactured tobacco, agricultural tractors, and sugar machinery on a fairly substantial scale. It had to fight hard battles with the United Kingdom in order to obtain the necessary dollar allocation.

The annual report of the Customs and Excise Department, published August 1960, shows that for the years 1958–59 Mauritius imported about 18,500,000 rupees—about $4 million—worth of articles from the United States. If you look at the exhibit, if you have time sometime, it gives a list of everything we bought from the United States.

The agricultural products, mostly unmanufactured Virginia bright leaf tobacco, represent about one-tenth of Mauritius' imports from the United States, the total value of which would buy about 20,000 tons of sugar annually.

I might say in the 200 years we have been trading with the United States, the only record we could find of the United States ever purchasing anything was 100 bags of coffee 2 years ago, from Mauritius, and they did not repeat the order this year.

The importation of tobacco increased steadily in recent years following upon the decision of the British American Tobacco Co. (Mauritius), Ltd., and of the Amalgamated Tobacco Corp. (Mauritius) to manufacture, in Mauritius, competing brands made from 100 percent imported leaf tobacco. Imports from America have shown a corresponding increase over the same period.

There can be no doubt that, if Mauritius could obtain an outlet on the American market for its sugar, this would strengthen the trade lines and facilitate the importation into Mauritius of agricultural commodities of all types as well as more chemicals—we really need machinery and cars and trucks and electrical equipment and things of that nature more than we need agricultural commodities. We cannot take wheat because we do not have any manufacturing plants—raw wheat. We could buy some flour. We can buy rice.

Mauritius is an island comparatively isolated in the Indian Ocean. It has no coal, oil, iron, tin, copper, gold, silver, or mineral resources of any kind, being volcanic in origin. The country depends exclusively on agriculture and agricultural industries. No country in all the world is so entirely dependent upon agriculture.

I would like to give you these figures.

Sugar cane is grown on 45.2 percent (208,100 acres) and tea, foodcrops, aloe, and tobacco are grown on 3.7 percent. Forest land and natural reserves account for 21.3 percent. Scrub grazing land, meadows, and wasteland account for 17.4 percent. Thus we see that 87.6 percent of all the land is in agriculture, managed forestry, grazing land and some wasteland. It is interesting to note that only 5 percent of the lands in South America are tilled for agricultural purposes and only 24 percent in the United States of America.

As indicated above, 45.2 percent of all the island's area is in sugarcane cultivation. Of this total 52 percent is owned and cultivated by

23 sugar mills. These mills are owned by 21 separate corporations with hundreds of stockholders.

Now, these mills, Mr. Chairman—when France sent about a thousand Frenchmen, the King of France—to colonize this island, which was uninhabited, he took the best farmers he could and they were sent there to do only one thing, grow sugar. And they have done it ever since.

Now, under the Code of Napoleon, which the French people had and still have in Mauritius, the inheritance law fragmented these large estates. Finally, when the competition got so tough as it is now, the families—we had 300 and something mills—every little family had a mill. So we got together and built brandnew mills. We spent $75 million since World War II—had to borrow a lot of it—but we got the finest machinery, the best equipment. And I do not care what Peru or Fiji says. The statistics show we are the lowest cost producers in the world. We have the most modern and efficient and up-to-date machinery of any country in the world.

The sucrose sugar content extraction—we are in the first three. We are either first, second, or third—it just varies with the seasons. And that has a lot to do with the machinery and equipment and handling.

Sugar cane is the only agricultural commodity that can sustain a country with the world's second highest population density per acre. It is also the only commodity that has been able to resist the cyclones and droughts that periodically occur.

We have had people say this cannot be done—"you are just a one-crop economy, you cannot make it, everybody is going to starve to death." Yet we are still in there fighting and we are right up there at the top.

All attempts made over the last 100 years to diversify the economy have met with no real success, although Mauritius does produce some aloe fiber, tea, maize, potatoes, peanuts, and tobacco for local consumption. There is also a fishing industry which is almost sufficient to meet local requirements.

A small tourist business is now being started in September—and we hope one member of this committee or two—they are usually paid by the Department of Agriculture to attend the international sugar conference to be held in Mauritius, which we think is a great compliment. There will be 44 nations present, which represent 88 percent of the——

Senator DOUGLAS. I notice that you say Mauritius is a very fine tourist center. You think this may have played a part in the choice of Mauritius as a center for this conference?

Mr. GARDNER. Sir, we just told them it was. We are going to let them find out. Very few people have ever been there.

Senator DOUGLAS. I notice that experts love to go to exotic and beautiful places to hold their conferences.

Mr. GARDNER. Mauritius looks a great deal like Jamaica. It is a very exotic and lovely island.

Now, I would like to tell you something about how we finance our country.

Nearly one-fourth of the tax revenue is derived from the 40-percent flat rate on the undistributed profits of corporations (about three-fourths of this tax is borne by the sugar industry). Dividends are taxed in the hands of shareholders at the rates applicable to the in-

dividual holder. These individual income tax rates vary from 10 percent of the first $1,000 of chargeable income up to 70 percent on all chargeable income in excess of $10,000. The individual income tax provides about 17 percent of the tax revenue.

Nearly 47 percent of the tax revenue is derived from import and excise duties, which primarily are revenue raising rather than protective in nature.

In May 1961 the legislative council imposed a 5-percent ad valorem tax on all sugar to be exported from Mauritius for general revenue purposes.

There are other general taxes on motor vehicles, trading licenses, registration fees, lotteries, bets, and so forth.

Articles of mass consumption, such as rice, cereals, and salted and dried fish, carry practically no import duties or tariffs.

It goes without saying that education, health, public assistance, capital improvements, cost of government administration, police, agriculture programs, and so forth, are all dependent on quantity and price of sugar sold each year plus the revenue from tariffs on articles that are purchased with the money received from the sale of sugar.

We have no industries. We have a little bag factory which makes the bags to ship the sugar in. But that is the only industry we have. It is all sugar.

We feel that after 28 years of not being allowed to come to the U.S. Congress or the State Department or anywhere else. we are mighty pleased, Mauritius is mighty pleased, to have an opportunity for the first time to come and have an opportunity to share in the U.S. sugar market. We have been excluded before. We have never sold any sugar, which is the only thing we have to sell.

Mr. Chairman, I would like to call the chairman's attention to something I know you would ask me. It is prepared for you, sir. That is, where our sugar goes.

Most of our sugar goes to the Commonwealth Sugar Agreement quota—5,000 to 6,000 short tons. The International Sugar Agreement quota—now, we do not know whether that is in effect or not now, since Cuba pulled out. We are allotted 44,000 tons. The local consumption was 29,000 short tons.

Now, this is interesting. You see, we get three different prices there.

On local consumption, the Government makes the sugar producers sell the sugar to the consumers of Mauritius at half the world market price.

Senator DOUGLAS. That would be about 1⅓ cents per pound?

Mr. GARDNER. Just a little over; yes, sir.

Senator DOUGLAS. And under the International Sugar Agreement what is the price?

Mr. GARDNER. That varies. Mr. Myers in his speech in New York recently, said that the purpose of the International Sugar Agreement was to try to keep this sugar floating around at a price of 3.15 to 4 cents a pound.

Senator DOUGLAS. 4 cents a pound?

Mr. GARDNER. I'm quoting Mr. Myers.

Senator DOUGLAS. You mean that is the purpose. But what is the effect? What is the result?

Mr. GARDNER. The result, sir, I cannot give you right now. But I think it has held up pretty well. It is not in effect now, I do not think.

Senator DOUGLAS. And the Commonwealth Sugar Agreement—how much do you get?

Mr. GARDNER. Sir?

Senator DOUGLAS. Under the Commonwealth Sugar Agreement, what is the price you realize?

Mr. GARDNER. About like Fiji, except it costs us more to ship it to the United States.

Senator DOUGLAS. For the sake of the record, what is it?

Mr. GARDNER. I would have to get that. It is all in rupees. I would have to convert that.

Senator DOUGLAS. 4 cents a pound, roughly?

Mr. GARDNER. I would say close to 4 cents a pound, or lower.

Senator DOUGLAS. Or lower?

Mr. GARDNER. Yes, sir.

Senator DOUGLAS. And you want the United States to buy sugar at approximately 6½ cents a pound?

Mr. GARDNER. Sir, I said we came in to ask for anything we could get. This is the first chance we ever had a chance to come in here.

Senator DOUGLAS. Well, if the Cooley bill goes through, what will you get, 6½ cents a pound?

Mr. GARDNER. Yes, sir. We will get the American price, subsidized price.

Senator DOUGLAS. You favor the Cooley bill.

Mr. GARDNER. Well, I must say it would be awfully hard to say I do not favor it.

Senator DOUGLAS. So you favor a program which will require the American consumer to pay 2½ cents more than the members of the British Commonwealth.

Mr. GARDNER. That is about right.

Senator DOUGLAS. Now, just a moment——

Mr. GARDNER. Mr. Chairman, here is what I ask. You read my testimony. I said if you are going to the Agricultural Committee, if you are going to assign quotas to all these countries, inside and outside the Western Hemisphere, then I think you ought to recognize the country that has been in business over 200 years—and some of these people, you know, have just sprung up over night. And this is our only livelihood. We are the seventh largest producer in the world. I thought we ought to have a chance to be heard and get a share of the market.

Senator DOUGLAS. Well, Mr. Gardner, if we scatter our largesse over the world, I am sure some of it should light on the beautiful tourist island of Mauritius. But the question is whether we should scatter this largesse as widely as you seem to favor. What I am asking is, why should we be asked to assume higher prices than the noble British Commonwealth is willing to pay?

Mr. GARDNER. Well, we would just like to be treated like the rest of the folks are being treated.

Senator DOUGLAS. You what?

Mr. GARDNER. We would like to be treated like the rest of the people are being treated.

Senator DOUGLAS. You mean if we give improper favors to others, you want to be in on the impropriety; is that correct?

Mr. GARDNER. Well, I would not think you would do anything improper, sir.

Senator GORE. Mr. Chairman, this gentleman's father was a distinguished diplomat. I think he is a worthy son of a great father.

Senator DOUGLAS. Of course, you are aware, Mr. Gardner, that with your 10,000 permanent and 100,000 temporary, it gives you 110,000 under the House bill, whereas formerly you had nothing.

Mr. GARDNER. That is right.

Senator DOUGLAS. We are not only buying the sugar from you at world prices, but at $56 a ton more than world prices. Therefore under the Cooley bill we would be paying you $6,160,000 a year more than world prices for 5 years.

Mr. GARDNER. Yes, sir. We are mighty well pleased with it.

Senator DOUGLAS. The individual consumers in the United States will bear that burden.

Mr. GARDNER. You wouldn't want to treat us any different, though, from the rest of the countries, would you?

Senator DOUGLAS. Well, I must say that as each country comes in, the case against the Cooley bill strengthens.

Mr. Gardner, the others have asked questions about fees. Would you be willing to state for the record your fees?

Mr. GARDNER. Yes, sir; mine have been paid from all over the country.

Senator DOUGLAS. I read the paper, but I do not always believe the paper.

Mr. GARDNER. Everybody seemed to be interested in the little island of Mauritius. They had never heard of it before. They wrote some rather clever and interesting stories about it. And they naturally wanted to know about the lawyer. This is a public record. We have a contract which we signed last July, after you had already passed the extension. Mauritius had someone here as a representative—someone in the British Embassy. The Western Hemisphere thing then was apparently paramount.

Senator DOUGLAS. That is, the British Embassy was unsuccessful in getting Mauritius in the 1961 act, is that right?

Mr. GARDNER. Someone was interested there, or maybe someone from Mauritius.

Senator DOUGLAS. In any event, the British Embassy was unsuccessful last year.

Mr. GARDNER. We were contacted in July and signed the contract—I don't know exactly—probably around July 4.

Senator DOUGLAS. What does this contract provide?

Mr. GARDNER. I have worked pretty hard trying to get something for them, too.

The price is $12,000 a year, and we have been paid in advance for the first year and for the second year, and we have already spent the money.

Senator DOUGLAS. $12,000 a year for how many years?

Mr. GARDNER. Actually, Senator, it is 18 months. We are on the basis of $12,000 a year. We have no contingency.

Senator DOUGLAS. Now this is a 5-year law.

Mr. GARDNER. No, sir. Our contract runs to December 31 of this year.

Senator DOUGLAS. It will not be renewed?

Mr. GARDNER. I don't know.

Senator DOUGLAS. Is there a gentleman's understanding that it will be renewed? It is possible that it may be renewed?

Mr. GARDNER. Sir, we have not discussed it, but it has gone through my mind; yes, sir.

Senator DOUGLAS. It has gone through my mind, too.

If it were to be renewed for the full life of this bill, it would be $12,000 multiplied by five, or to be more precise 12,000 multiplied by 4½ or a total of somewhere between $54,000 and $60,000. Is that correct?

Mr. GARDNER. Well, sir, I could not project on something that has not happened or has not been discussed.

Senator DOUGLAS. I said if it were to be renewed.

Mr. GARDNER. Oh, yes; yes, sir.

Senator DOUGLAS. And evidently the island of Mauritius felt that it would be better represented by you than by the ordinary diplomatic channels through the British Embassy.

Mr. GARDNER. Mauritius was referred to us by an international law firm that we have had dealings with for over 20 years.

Senator DOUGLAS. Are they getting a finder's fee?

Mr. GARDNER. Sir?

Senator DOUGLAS. Is this other firm getting a finder's fee?

Mr. GARDNER. No, sir.

Senator DOUGLAS. Not from you?

Mr. GARDNER. No, sir; not from anyone; no, sir.

Senator DOUGLAS. Well, you are a very charming gentleman, like your father.

Mr. GARDNER. Let me mention one thing I had in our statement.

Mauritius, outside of being friendly and a sugar country, we are now—we have cooperated for the last 2 years with our Air Force in the missile recovery program. It is not entirely without danger to our people. The ICBM missile is shopped from Cape Canaveral. The airfields have been open to the United States in the recovery program. We have cooperated.

If you will look at the two astronauts, you will notice that the tracking ship is based off Mauritius. And we have cooperated fully to the best of our ability with the American Government as an ally and as a friend.

Senator MORTON. Mr. Gardner, first let me say that I have the highest feelings of friendship toward the island of Mauritius, and I hope that if there is an international sugar meeting there, and if I am successful in my endeavors in Kentucky this fall, that I might be invited to go along on this trip. It sounds like an interesting possibility.

Senator DOUGLAS. May I say I have no such hopes.

Senator MORTON. For me?

Senator DOUGLAS. No. For myself. I do not think I will be invited to an international conference.

Senator MORTON. You say that Mauritius was the seventh largest exporter of sugar in the world. Where did that sugar go?

Mr. GARDNER. Well, my statement shows pretty well. It goes to the commonwealth countries. Actually, we are the largest supplier of

sugar to the United Kingdom, which is England, Scotland, Northern Ireland, and Wales. We have been for many, many years. In a way we are a small cubit to England—the United Kingdom.

We have great experience in shipping in wartime and peacetime to the North American Continent. We are long ways away from New York. We are about 12,000 miles away. We are 7,000 miles from London. But we have gotten through. And we have fulfilled our contract. We are a stable supplier. The world recognizes us as such.

I do not think the British and Canadians would have dealt with us all these years unless they thought we were doing a good job.

Senator MORTON. I recognize that. But you talk about 200 years ago that the French sent out some farmers to colonize that island because it was a good potential source of sugar. You have, according to your testimony, built a very efficient industry. You even say you do it better than they do in the Fiji Islands.

Mr. GARDNER. Yes, sir.

Senator MORTON. Why are you coming here? You have been doing this for years; 200 years. Why are you coming here trying to——

Mr. GARDNER. We have about 150,000 tons of sugar that we have to carry over after selling 25,000 to 50,000 tons in the world market, and the world market has been low and is low.

Senator MORTON. Wasn't this really a result, Mr. Gardner, of the fact that there is a disruption in the world sugar market because Cuba went Communist, and we had to quit taking the Cuban sugar?

Mr. GARDNER. Senator, nothing would please us better than for Cuba to come back in and start supplying sugar. It would stabilize our market. We have been getting along all right. But we are certainly upset now on our excess sugar which we cannot sell to the preferential countries.

Senator MORTON. The sugar that you have during this 200-year period been supplying to the United Kingdom or Canada or whatnot is now to a degree, is it not, being displaced by Cuban sugar being refined in Poland, let's say, and then going into the United Kingdom?

Mr. GARDNER. I have heard that, and I have reason to believe that there is serious competition to our sugar. But since we have been there so long, in thick and thin, we believe that England, the United Kingdom will continue to buy from us at a decent price, because we have played ball with them in wartime and peace.

Senator MORTON. That's all.

Senator DOUGLAS. Any other questions?

Senator CARLSON. Mr. Chairman, I do not want Mr. Gardner to leave the witness stand without my stating that during my service in the House of Representatives I had the pleasure and privilege of becoming well acquainted with his father and his mother. His father was a perfect gentleman. He served as Assistant Secretary of the Treasury, as I remember it, for a period. I had many contacts with him.

Senator MORTON. Under Secretary.

Senator CARLSON. Under Secretary—I remember him very well.

Senator GORE. Mr. Gardner, how many tycoons are there in the sugar production on Mauritius?

Mr. GARDNER. We do not have any, sir. Our property is divided up. I can just give you how it is pretty quickly—in just a second.

I know it is something you have been interested in. I should have brought it out.

Seventeen thousand eight hundred and twenty-nine owners of sugar property under 10 acres—who own under 10 acres. There are 903 cultivators who own between 10 and 99 acres. There are 73 who own 100 to 199 acres. There are 37 who own 200 to 249 acres. There are nine who own 500-and-over acres. There are 2,718 farmers who are tenant farmers.

Senator GORE. Well, what kind of combine—or is there a shipping combine that handles the transportation?

Mr. GARDNER. We have a single—the Mauritius Chamber of Commerce—this is by law. All sugar produced on the island has to go to certain—a certain mill. I mean if you are in that vicinity. Then the mill has to turn it over to the Mauritius Chamber of Commerce, or the sugar syndicate, as some people call it. Then we sell that sugar all year long, and each price is different. At the end of the year we pro rate it so that every person, little and big, gets the same price for the sugar—whether it is world market or not.

Senator GORE. That sounds like a cooperative. Is the chamber of commerce a profit organization?

Mr. GARDNER. It is a quasi-legislative—not quasi-legislative. It has been set up by law.

Senator GORE. You mean this is a public body?

Mr. GARDNER. This is a quasi-public body. The chamber pays its own expenses. But the law has given them these powers, so they can have the orderly sale of sugar.

Senator GORE. I must say that, like some of my colleagues, I have learned a little geography during the course of this hearing.

I thank you for contributing to my knowledge.

Senator DOUGLAS. Senator McCarthy.

Senator MCCARTHY. No, I think not—except to note I think the witness has covered all the possible arguments, from the danger of communism to the need to support underdeveloped countries, to improvement of relationships within the NATO organization. I commend him for leaving no space uncovered.

(The full statement of Mr. Gardner follows:)

STATEMENT OF RALPH W. GARDNER, ON LEGISLATION TO AMEND AND EXTEND THE SUGAR ACT OF 1948, AS AMENDED

My name is Ralph W. Gardner. As a member of the law firm of Gardner, Morrison & Rogers, 1126 Woodward Building, Washington, D.C., I represent all the sugar growers of the island of Mauritius and the Mauritius Chamber of Agriculture, Port Louis, Mauritius.

I wish to express my appreciation to the chairman and members of this committee for the opportunity of appearing before you.

First, I wish to state that I will not attempt to suggest to this committee how Congress shall allocate the United States of America's estimated sugar needs between the domestic and foreign producers; however, I would like to confine my statement to H.R. 12154 insofar as it relates to the allocation of quotas to foreign suppliers, and briefly present the reasons in favor of Mauritius supplying sugar to the United States.

I. GEOGRAPHY

Mauritius is an island situated in the Indian Ocean, some 1,600 miles east of Africa and 550 miles east of Madagascar. It is approximately 2,500 miles south of India.

Mauritius is 39 miles long and 29 miles wide. It measures 720 square miles or 460,800 acres and is about the size of Rhode Island, the smallest State in the

Union. Mauritius, with a population of over 650,000 inhabitants, has a density of 900 persons per square mile. Except for Taiwan (Nationalist China) no other country in the world has a population density approaching that of Mauritius.[1]

II. HISTORY

The island was known to Arab sailors during the Middle Ages, and was on maps of 1500 with an Arabic name. It was discovered by Portuguese sailors in the early part of the 16th century. The Dutch took possession of it in 1598 and renamed it Mauritius, after Prince Maurice of Nassau, and actually occupied it between 1638 and 1710. It was from Mauritius that Tasman in 1642 set out on his most important voyage of discovery of New Zealand. It was during the Dutch period that the "dodo," a bird peculiar to Mauritius, became extinct.

In 1715 the island was taken over by the French who settled there and colonized it. They renamed the island "Ile de France." The French around 1722 brought in African slaves to work in the sugar fields. The island remained in French hands until 1810 when, on account of its strategic position (called "The Star and Key of the Indian Ocean"), it was seized by the British. In 1814 it was formally ceded to Britain by the Treaty of Paris and the island was renamed "Mauritius." However, the French settlers were permitted to retain their language and religion. As a result, French and English both are still spoken on the island. English is used for official purposes. The most commonly heard language, however, is Creole, a colorful language mainly derived from French.

After the British took control of Mauritius, the island flourished due to the ever increasing export of sugar to England. In 1833 the slaves were freed. This raised problems on the sugar plantations as the newly freed slaves were reluctant to work for their former masters. The planters responded by importing indentured laborers from India—over 450,000 of them between 1836 and 1904—of whom about 315,000 remained to settle in Mauritius.

As a result of the heavy immigration of the 19th century the ethnic composition of the population changed dramatically. The 1959 population of approximately 631,000 comprised about 181,500 "Europeans and descendants of Europeans, and people of African and mixed origin," 427,000 Indians and 22,500 Chinese.

Since 1810 Mauritius has remained under the British crown; however, she is now on her way to complete self-rule and independence.

III. GOVERNMENT

Mauritius is a crown colony of the British Empire, but it has progressed rapidly since 1947 from the crown-colony status to representative and largely responsible government. At present, it is administered by a Council of Ministers appointed by the Governor from the Legislative Council which is composed of 3 officials, 12 nominated members and 40 members elected by the people on the basis of universal adult suffrage.

IV. UNITED STATES AND TRADE WITH MAURITIUS

Although a very small country, Mauritius has had longstanding trade relations with the United States. Unfortunately it has been on a virtually one-way traffic basis: Mauritius importing and the United States exporting. This one-way traffic is not healthy and cannot continue indefinitely.

Prior to World War II, Mauritius imported American goods on a fairly large scale: motorcars and parts, plows, tools, motors, machinery, chemicals, agricultural tractors, lubricating oils, sugar-making machinery, "Virginia Bright Leaf" unmanufactured tobacco, etc. For a period after the war these imports were somewhat reduced because Mauritius was not a dollar-earning country; however, Mauritius was able to continue the importation of "Virginia Bright Leaf" unmanufactured tobacco, agricultural tractors and sugar machinery on a fairly substantial scale. It had to fight hard battles with the United Kingdom in order to obtain the necessary dollar allocation.

The annual report of the Customs and Excise Department, published August 1960, shows that for the years 1958–59 Mauritius imported about 18,500,000 rupees (about $4 million) worth of articles from the United States (see complete list of commodities and articles—exhibit A). Agricultural products, mostly unmanufactured "Virginia Bright Leaf Tobacco," represent about one-

[1] United Nations, Demographic Yearbook, 1958.

tenth of Mauritius' imports from the United States, the total value of which would buy about 20,000 tons of sugar annually.

The importation of tobacco increased steadily in recent years following upon the decision of the British American Tobacco Co. (Mauritius) Ltd. and of the Amalgamated Tobacco Corp. (Mauritius) to manufacture, in Mauritius, competing brands made from 100 percent imported leaf tobacco. Imports from America have shown a corresponding increase over the same period.

There can be no doubt that, if Mauritius could obtain an outlet on the American market for its sugar, this would strengthen the trade lines and facilitate the importation into Mauritius of agricultural commodities of all types as well as more chemicals, drugs, food, cigarettes, lubricating oils, etc. All these and hundreds of other articles are now being imported on a relatively small scale, but the scope of increasing imports from America is great indeed.

V. ECONOMIC POSITION

Mauritius is an island comparatively isolated in the Indian Ocean. It has no coal, oil, iron, tin, copper, gold, silver, or mineral resources of any kind, being volcanic in origin. The country depends exclusively on agriculture and agricultural industries. No country in all the world is so entirely dependent upon agriculture.[2]

Mauritius is essentially—in fact, almost exclusively—a sugar-producing country.[3] Sugar accounts for 98 percent of its entire export trade. It is the largest single colonial sugar exporter of the whole British Commonwealth, and, in fact, it is now the seventh largest world exporter of sugar.

Sugarcane is the only agricultural commodity that can sustain a country with the world's second highest population density per acre. It is also the only commodity that has been able to resist the cyclones and droughts that periodically occur.

All attempts made over the last 100 years to diversify the economy have met with no real success, although Mauritius does produce some aloe fiber, tea, maize, potatoes, peanuts, and tobacco for local consumption. There is also a fishing industry which is almost sufficient to meet local requirements.

A small tourist business is now being started. Mauritius is a very beautiful island. The climate is maritime and there are exceptional facilities for swimming on sandy beaches, yachting, fishing, sightseeing, etc. New hotel accommodations are being built to accommodate the hundreds of participants in the International Sugar Conference to be held in Mauritius in mid-1962.

The United Kingdom (which consists of England, Scotland, Wales, and North ern Ireland) takes some four-fifths of Mauritius' sugar exports, but supplies only a little over one-third of its imports ; other countries of the British Commonwealth (mainly Canada) take about 17 percent of Mauritius' sugar, and this group of Commonwealth countries (mainly Australia, Burma, India, and the Union of South Africa) supply about one-third of her imports. Non-Commonwealth countries take less than 5 percent of Mauritius' exports but supply 25 to 30 percent of its imports—most of these coming from the United States, France, West Germany, Iran, Japan, and Thailand.

VI. PUBLIC FINANCE

Nearly one-fourth of the tax revenue is derived from the 40-percent flat rate on the undistributed profits of corporations (about three-fourths of this tax is borne by the sugar industry). Dividends are taxed in the hands of shareholders at the rates applicable to the individual holder. These individual income

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[2] Mauritius measures 460,800 acres (including about 3,000 acres of inland water bodies). Sugarcane is grown on 45.2 percent (208,100 acres) and tea, foodcrops, aloe, and tobacco are grown on 3.7 percent. Forest land and natural reserves account for 21.3 percent. Scrub grazing land, meadows, and wasteland account for 17.4 percent. Thus we see that 87.6 percent of all the land is in agriculture, managed forestry, grazing land, and some wasteland. It is interesting to note that only 5 percent of the lands in South America are tilled for agricultural purposes and only 24 percent in the United States of America.

[3] As indicated above, 45.2 percent of all the island's area is in sugarcane cultivation. Of this total 52 percent is owned and cultivated by 23 sugar mills. These mills are owned by 21 separate corporations with hundreds of stockholders. Only two sugar mills are owned by nonlocal interests (English owned).

Forty-four percent of all the sugar land is owned by freehold planters, whose holdings mainly are under 10 acres of land (17,829 owners). There are 903 cultivators who own between 10 and 99 acres. There are 73 who own 100 to 199 acres. There are 37 who own 200 to 499 acres and 9 who own 500 and over acres. Tenant farmers rent and cultivate 4 percent of the remaining land. There are 2,718 farmers in this category.

tax rates vary from 10 percent of the first $1,000 of chargeable income up to 70 percent on all chargeable income in excess of $10,000. The individual income tax provides about 17 percent of the tax revenue.

Nearly 47 percent of the tax revenue is derived from import and excise duties, which primarily are revenue raising rather than protective in nature.

In May 1961 the Legislative Council imposed a 5-percent ad valorem tax on all sugar to be exported from Mauritius for general revenue purposes.

There are other general taxes on motor vehicles, trading licenses, registration fees, lotteries, bets, etc.

Articles of mass consumption, such as rice, cereals, and salted and dried fish, carry practically no import duties or tariffs.

It goes without saying that education, health, public assistance, capital improvements, cost of governmett administration, police, agriculture programs, etc., are all dependent on the quantity and price of sugar sold each year plus the revenue from tariffs on articles that are purchased with the money received from the sale of sugar.

VII. SUGAR PRODUCTION AND MARKETING

Due to the fact that sugarcane cultivation has been the primary source of life on Mauritius from the mid-18th century until the present day, it is not surprising that Mauritius is one of the most highly efficient sugar producers in the world today. The sugar mills are modern and in terms of extraction-recovery rank near the top among the principal cane sugar producing countries. The entire sugar industry is highly and heavily mechanized. Ever more powerful units are being brought into use. Well-informed persons in the industry are of the opinion that Mauritius could increase output by 150,000 to 200,000 short tons in a very short period by seeing that the small landowners applied adequate and proper amounts of fertilizer to their crops.

Mauritius' total market for its sugar amounts to 599,000 short tons, composed of the following outlets:

	Short tons
1. Commonwealth Sugar Agreement quota	526,000
2. International Sugar Agreement quota	44,000
3. Local consumption	29,000
Total per annum market	599,000

Mauritius is currently producing around 650,000 short tons of sugar; and by proper fertilization it can and needs to increase this amount by another 150,000 to 200,000 short tons in order to sustain its standard of living.

Since there is no scope for increasing local consumption materially, it is clear that, unless additional export outlets can be found for its surplus sugar, Mauritius will be forced to discontinue the production of sugar on the present scale, let alone increase its output. This will have untold consequences on the economic life of the country.

VIII. NATIONAL INCOME

The gross national income per capita rose after World War II until 1953 when it started its decline and it has been declining every year since. The rate of increase in population is the second highest in the world. In the years immediately following World War II the elimination of malaria and massive improvements in sanitation and public health caused a revolution in the balance between births and deaths. The future is truly terrifying because Mauritius is a small island dependent on agriculture (sugar), with a strictly limited amount of land and with an already existing pressure of popluation on it. The standard of living is low, much lower than the standards of Western Europe and North America. The gross per capita income is about $225 per year, which is considerably less than found in Latin America.

IX. COMMUNIST THREAT AND STRATEGIC SITUATION

With its overpopulation problem (650,000 inhabitants, which at the present rate of growth will reach the alarming figure of close to 3 million within 50 years), its declining standard of living and its present political emancipation, Mauritius is definitely an easy prey for international communism unless it

receives prompt and adequate support from the West. The best form which such help can take is seeing that there is an outlet for sugar at a remunerative price.

There are signs already of some local politicians turning to Communist China for an outlet for sugar. (There is much discussion in certain groups as to whether or not necessary economic acceleration lies in fact with the East rather than the West.) There can be no doubt that the securing of a sugar quota on the market of the United States would provide the pro-Western leaders of Mauritius with real arguments against those who are trying to turn the masses against the West.

Mauritius is still a valuable strategic base and outpost for Western Powers in the Indian Ocean. Whenever the Suez Canal has been closed, Mauritius has assumed considerable military and naval importance as it is located at the crossing of the sea routes linking Australia, India, and the East Indies with South Africa. Today the airport on Mauritius is used by three international airlines: Air France (service between Paris and Mauritus via Nairobi and Madagascar), Qantas (service between Sydney and Johannesburg via Melbourne, Perth, Cocos Island, and Mauritius), and South African Airways (operating same route as Qantas).

American aircraft are currently using the landing field in their missile recovery operations nearby in the Indian Ocean.

Mauritius is an absolutely essential link on the air route between Australia and South Africa.

X. SUGAR AVAILABLE FOR THE U.S. MARKET

As from the calendar year 1962, Mauritius would be prepared to supply 165,000 short tons annually to the U.S. market out of its current production.

This sugar could be made available at any time of the year and spread over any desired period as long as reasonable notice of requirement was given. Sugar can be loaded and landed at U.S. ports in approximately the same time, after notice, as sugar ordered from Australia. Having been one of the large sugar suppliers for Canada for many years, Mauritius has had great experience in exporting sugar to North America. The sugar can be supplied in bulk or bag.

XI. REASONS IN FAVOR OF MAURITIUS SUPPLYING SUGAR TO THE UNITED STATES

(*a*) *From the Mauritius viewpoint*

No country in the world has a stronger or even an equal claim to an increased outlet for its sugar, (1) being dependent on sugar alone; (2) facing a most difficult population problem; and (3) having demonstrated its ability to produce more sugar on a competitive basis.

(*b*) *From the American viewpoint*

(*i*) Mauritius is now the seventh largest world exporter of sugar, and, if the United States has to go outside the Western Hemisphere for its supplies, it should obtain some of its supplies from a country occupying such an important position in the sugar export world.

(*ii*) Mauritius has imported goods, especially leaf tobacco, from the United States for more than a century without ever exporting anything to the United States in return; the United States should now avail itself of the opportunity of reciprocating—if only to preserve its export trade with Mauritius, and possibly to increase it.

(*iii*) Mauritius occupies a strategical position in the Indian Ocean from a communications point of view; it is a vital link on the air route from South Africa to Australia; the grant of a share of the U.S. sugar market would be one way of preserving a friendly outpost at little cost.

(*iv*) The United States has pledged itself to helping underdeveloped countries; Mauritius is not only a deserving case; it is a typical instance of a country where a timely gesture could be an effective answer to Eastern powers which are now trying to invade the field of political influence in Mauritius. The attainment of independence by Mauritius may not be very far away and it might then become an easy prey to international communism unless it receives adequate help from the West.

(*v*) Mauritius is a single seller and can supply sugar virtually all the year round in a normal year, which makes for ease of purchase and flow of supplies.

EXHIBIT A

In 1958 and 1959 Mauritius imported from the United States of America the following articles: Bright belt tobacco leaf (one-tenth of entire imports from the United States, the total value of which would buy about 20,000 tons of sugar annually), agricultural tractors, oil lubricants, cereals, cereal flour, candies and confectionery, food preparations, cigarettes, seeds for planting, bulbs and plants, canned fish, preserved fruit, fruit juices, vegetables and soups in cans, lubricating oils, lubricating greases, chemicals of all types, paint and lacquers, mastics, vitamins, antibiotics, pharmaceutical products, vegetable oils, dentifirices, soap, wax and polish, sporting goods, ammunition, fuses and primers, weed killers, disinfectants, glue, casein, gelatin, machine leather belts, rubber tires and tubes, goods of soft and hard rubber, manufactured wood products, paper bags, cardboard boxes, paper and paper board, books, writing paper and envelopes, cotton fabrics, synthetic fabrics and spunglass, lace fabrics, ribbons, embroidery, nylon fishing lines, carpets and rugs of wool, manufactures of asbestos, pipes and rods, glass articles, revolvers, firearms, wire cable, hand tools for agriculture, cutlery, manufactured iron and steel, diesel engines, engine parts, tractor parts, ploughs, overhead irrigation systems, agricultural machinery for preparing the soil, harvesting machinery, agricultural machinery parts, agricultural tractors, accounting and bookkeeping machines, pumps for liquids, road construction machinery, printing machinery, sewing machines, air conditioners and refrigeration equipment, ball bearings, electrical machinery, generators and transformers, electric batteries, bulbs and flashlights, radio and radar apparatus, electronic apparatus, portable electric appliances, electric tools, locomotive parts, passenger cars, car bodies, car parts, aircraft parts, lighting fixtures, metal furniture, handbags, wallets and purses, hose and stockings, outerwear and clothes, handkerchiefs, film, projectors, cameras, surgical and medical instruments, scientific instruments, phonograph records, decorative objects, electric refrigerators, plastic articles, brooms and brushes, playing cards, toys and games, fountain pens, office supplies, and lighters.

Senator CARLSON. Mr. Chairman, before the next witness comes up, the schedule of witnesses was such this morning that the gentleman who is the Washington director of the Great Plains Wheat, Inc., could not appear today, and I would ask unanimous consent that his statement, together with the wheat-sugar memorandum from Brazil be made a part of his remarks.

Senator DOUGLAS. That will be done.

(The material referred to follows:)

STATEMENT OF MARX KOEHNKE, WASHINGTON DIRECTOR, GREAT PLAINS WHEAT, INC.

Mr. Chairman and members of the committee, my name is Marx Koehnke: I am Washington director of Great Plains Wheat, Inc., a market development organization established and supported by wheatgrowers and the wheat commissions of North Dakota, South Dakota, Kansas, Nebraska, and Colorado. I am grateful for the opportunity to appear before you at this time.

Our position and interest in the Sugar Act was presented to the House Agriculture Committee by our president, Clifford R. Hope, former Congressman from the State of Kansas. Mr. Chairman, I would like to have Mr. Hope's statement inserted into the record.

I would also like to state that we believe the domestic sugar producers should be allocated as much of the total domestic market as is practicable. Our organization is supported by over 300,000 wheat producers in the Great Plains area. Many of the farmers that support our organization are engaged in the production of both sugarbeets and wheat, but our interest is primarily that of wheat.

Great Plains Wheat is engaged in development of markets for U.S. wheat in Europe, South America, Africa, and the Middle East, and we cooperate with Western Wheat Associates in a like program in Asia and the Far East. As a cooperator with the U.S. Department of Agriculture under Public Law 480, we have been engaged in creating new markets for U.S. wheat. Our primary interest in the legislation before your committee is with regard to the trade aspects and possibilities that the Sugar Act affords. It is not often that American

agriculture is in a strong bargaining position, however, we feel that the allocation of sugar quotas is the one exception. One of the provisions of the Sugar Act of 1948, as stated in the House of Representatives report on H.R. 12154 is "to permit friendly foreign countries to participate equitably in supplying the U.S. sugar market for the purpose of expanding international trade and assuring a stable and adequate supply of sugar." This report states further that H.R. 12154 perpetuates the objectives of the Sugar Act by the assigning of a greater portion of the U.S. market to our own domestic beet and cane producers, and by a more equitable and dependable distribution of quotas for the remainder of the market among the producers of friendly nations, principally to the good neighbors of the United States in the Western Hemisphere.

With our loss of agricultural outlets to Cuba, new markets must be established in order to prevent the additional outflow of gold from the United States. During the fiscal year—July 1960 to June 1961, U.S. agricultural imports totaled $3.642 billion. Our total agricultural cash exports for this same period amounted to $3.423 billion. The United States, therefore, has a dollar deficit of approximately $240 million on a cash basis for this period.

For the past 3 years our representatives in South America have been aware of the tremendous potential wheat market in Brazil and other South American countries. The possibilities of additional wheat sales in Brazil offers as great a potential as any other single market.

In working toward increased consumption of wheat through market development in Brazil, we were told that the Government of Brazil was interested in increasing its consumption, but desired a means of paying for the wheat if this was to be accomplished. Since Brazil is the largest sugar producer in the Western Hemisphere, with the exception of Cuba, and since the United States is in the market for sugar, Great Plains Wheat, Inc., made a proposal to the Government of Brazil. And with your permission Mr. Chairman, I would like to insert a copy of the proposal for the record.

This proposal, if implemented, would be one of the largest single cash sales of agricultural commodities in U.S. history. In brief, the Government of Brazil has offered to increase its consumption of wheat by nearly 100 percent in the next 5 years. As a suggested means to accomplish both objectives, a proposal has been submitted through diplomatic channels by the Brazilian Government to spend 67 percent of the dollars generated by such sugar sales to the purchase of additional U.S. agricultural commodities. For the 5-year period the new cash sales to Brazil would represent an increase of about $250 million. Gentlemen, this figure translated into bushels of wheat would be over 400 million bushels. These sales would utilize the production of more than 3 million acres a year for the next 5 years.

We strongly urge that your committee will, when allocating quotas, give consideration to purchases by the various sugar-producing countries of agricultural commodities in the United States, and give special consideration also to good neighbor countries of the Western Hemisphere. The using of sugar dollars to buy U.S. wheat and other agricultural commodities has the support of the entire U.S. wheat industry.

The House bill does not give any special consideration to Western Hemisphere countries, particularly with regard to the distribution of the 1.5-million-ton Cuban quota. We would commend Congressman Poage on his statement in the House on Monday, when he states that it was the intent of the House Committee on Agriculture to reward those countries that would respond to the granting of sugar quotas by the United States by buying additional U.S. agricultural commodities, and we would recommend that this committee include such language in the Senate bill.

It is not our intent to single out any one country, but Brazil is, to our knowledge, the only country to come forth with a concrete proposal for the purchase of U.S. agricultural commodities with dollars generated from the sale of sugar. We would welcome similar proposals from other countries that receive sugar quotas.

Brazil has been receiving substantial amounts of agricultural commodities under Public Law 480. Public Law 480 is an act "to increase the consumption of U.S. agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes." The economic assistance to developing countries under Public Law 480 is well recognized as an interim assistance program and should, after a period of time, result in a stabilized economy. By providing assistance for this purpose, friendly nations of the

Western Hemisphere will be provided with the means for payment of U.S. agricultural products imported.

Mr. Chairman, I wish to thank you for your attention to my remarks and for the privilege of presenting this statement before the committee.

WHEAT-SUGAR MEMORANDUM FOR BRAZIL

The development of the subject memorandum will be covered under three parts as follows:

I. Reasonable target for Brazil.
II. Sources of supply.
III. Relationship of the proposed program to U.S. sugar quotas.

I. Reasonable target for Brazil

During the decade 1940–50, consumption of wheat in Brazil averaged less than 1,500,000 metric tons. During the 10 years 1950–60, consumption was increased approximately 1 million tons. This increase was made possible by two factors:

1. Production of wheat was increased on the average of about 300,000 tons in the 1950's, and
2. The beginning of the Public Law 480 program provided the basis for additional consumption of wheat.

In the past few years, the national target has been based on 2,400,000 metric tons and wheat is prorated to the various flour mills in Brazil on a historical basis on this quota. There is given below a record of wheat for food in Brazil, 1952–60:

Year	Local	Stocks and imported	Total	Per capita consumption
	Thousand metric tons	*Thousand metric tons*	*Thousand metric tons*	*Kilos*
1952	270	1,216	1,486	27.3
1953	290	1,859	2,149	38.5
1954	490	1,726	2,216	38.8
1955	440	2,085	2,525	43.2
1956	600	1,798	2,398	40.1
1957	745	1,485	2,230	36.4
1958	600	1,435	2,035	32.4
1959	250	1,800	2,050	31.9
1960	250	1,850	2,100	31.8

Source: Foreign Agricultural Service, US. Department of Agriculture.

The table below illustrates sources from which Brazil obtained its requirements of wheat:

[In thousands of metric tons]

	Total Brazil imports	Principal sources				
		Argentina	United States	Uruguay	Russia	Other
5-year average, 1954–58	1,500	900	345	141	----------	124
1958	1,506	1,005	407	93	----------	----------
1959	1,820	1,218	516	----------	----------	83
1960	2,033	1,098	728	----------	197	10
1961	1,928	121	1,614	----------	193	----------

Source: Foreign Agricultural Service, U.S. Department of Agriculture.

It will be noted in the above table that Argentina supplied between 900,000 to around 1 million tons and was the principal supplier. Argentina has not been able to supply the usual amount in 1961 and are only scheduled to supply 700,000 tons in 1962 with 1 million tons each in 1963 and 1964.

Exports from the United States have increased in order to maintain Brazilian consumption as an offset to the failure of Brazilian producers to maintain production and a drop in imports from Argentina. In fact, production in 1962 of wheat for food is not expected to reach 100,000 tons.

For at least the next few years Brazil must rely principally on imported wheat to satisfy its requirements for this basic food.

There is an apparent decline in Brazil's per capita consumption in the past few years. Total apparent consumption for the 4 years 1958 through 1961 has remained unchanged at 2,100,000 metric tons. This occurred during a period of high rate of industrial development, population growth, and rapid urbanization trend, with the result that there exists a shortage of wheat. While the figures are subject to some question due to the inadequacy of accurate information on locally produced wheat for food in Brazil, it is evident that production has declined resulting in a lower consumption of wheat. Ordinarily, with per capita consumption of wheat at the low level of around 31 kilos per capita, both of the aforementioned factors would result in increased demand for commercial bakery products. Furthermore, evidence based on studies made show that there is a great need to improve the standard diet of the Brazilian population, particularly in the northeast area where the per capita consumption is held to around 10 kilos.

For purposes of comparison there is appended to this report a table showing the consumption rate of wheat per capita in certain areas of the world, including South America. Brazil's consumption level of 31 kilos compares with the U.S. rate of about 74 kilos. If, as a target figure, consumption of wheat was freed from restrictions, consumption could easily double over a 5- to 6-year period and would still be less than two-thirds of the U.S. rate and about one-half of the rate of consumption in Argentina, Chile, and Uruguay.

The main deterrent to permitting a higher level target for wheat is the shortage of foreign exchange to warrant the higher level. In fact, with Brazil primarily dependent now upon imported wheat there is a serious question as to how high the level may be permitted should the U.S. supplies through the Public Law 480 program be discontinued or curtailed.

Upon conditions of free purchases it has been estimated that Brazil could, in the few years ahead, easily consume 4 million tons of wheat. In a study published by the Foreign Agricultural Service, U.S. Department of Agriculture, FAS M–60, it was concluded that "at the current rate of the population growth, requirements may total 4 million metric tons by 1970. There is little likelihood of production increasing enough by that time to take care of more than 30 to 35 percent of the needs. The balance will have to be imported."

In presenting a reasonable target, two principles must be recognized:

(1) That due to a decreasing local production imports have been higher, and to further increase imports would require some time adjustment in order to permit further expansion of facilities to receive the wheat at ports.

(2) Higher wheat imports will displace some existing suppliers of lower grade cereals and a gradual transition will be more reasonable, both economically and politically.

Taking all of the above into account and recognizing the existing shortage of wheat for bread and bakery products that exist, a reasonable beginning annual rate for 1962–63 is set at 3 million tons. This is approximately 900,000 tons higher than 1961 supplies.

With population growth of around 3 percent and allowing an additional increase of 5 percent to account for two factors: (1) A gradual increase in per capita wheat consumption; and (2) an additional amount associated with Brazil's industrial and economic growth, an annual rate, therefore, of about 8 percent, or about 250,000 tons a year is projected. A further additional 2 percent per year is assumed, bringing the total annual net increase up to 10 percent in order to provide for gradual acceleration above the rate that would have applied if complete free market conditions could have been permitted over the past few years. To put this target figure of 10 percent another way, the additional rate of 2 percent per year is designed to make the transition from the lower rate now existing to a gradual one over the next 5 years. Therefore, beginning in 1963, a 3,050,000 metric tons average consumption is used as the base from which an annual increase of 10 percent per year is projected over the next 4 years.

During the course of this period an additional amount would be needed for stocks which at the present time are nonexistent. One cannot determine the exact time that these stocks can be accumulated since industrial facilities will be required. However, if a program of higher consumption is to be adopted it

is only prudent that some additional facilities for stocks will have to be provided some time within the next 5 years. One could conclude that a 60-day supply should be added as stocks, or approximately 600,000 tons.

For the purpose of developing a target figure one would have to start the acceleration in the second half of 1962 inasmuch as wheat supplies for the first half could not accommodate a higher rate at this time than the existing one of 2,400,000 tons.

As a target for 1962, approximately 2,700,000 is assumed. This would be rationalized as follows:

First half 1962 (annual rate 2,400,000)	1,200,000
Second half 1962 (annual rate 3,050,000)	1,525,000
Total	2,725,000

Average annual rate 1962, approximately 2,700,000. The projections for the years 1963, 1964, and 1965 will use the 3,050,000 tons as a starting level and will be increased at an annual rate of about 10 percent until the higher level is reached in 1966. The results are summarized as follows:

Target

1962		2,700,000
1963:		
1962 consumption rate	3,050,000	
10 percent additional	300,000	
Consumption in 1963	3,350,000	
Reserve stocks	150,000	
		3,500,000
1964:		
1963 consumption rate	3,350,000	
10 percent additional	330,000	
Consumption in 1964	3,680,000	
Reserve stocks	270,000	
		3,950,000
1965:		
1964 consumption rate	3,680,000	
10 percent additional	360,000	
Consumption in 1965	4,040,000	
Reserve stocks	200,000	
		4,240,000
1966:		
1965 consumption rate	4,040,000	
10 percent additional	400,000	
Total consumption in 1966		4,440,000
Grand total		18,830,000

Summarizing the above, we have the following:

	Consumption	Reserve stocks	Total wheat requirement
1962	2,700,000		2,700,000
1963	3,350,000	150,000	3,500,000
1964	3,680,000	270,000	3,950,000
1965	4,040,000	200,000	4,240,000
1966	4,440,000		4,440,000

Total added for reserve stocks 620,000, or about a 60-day supply.

II. Source of supply

Currently, Brazil has commitments with Argentina under a 3-year agreement and with the U.S.S.R. on a bilateral basis. The third source of supply is from

local production and it is necessary to allow some time for the Brazilian wheat growers to develop additional production of their own. There is given below projected sources to account for the above three categories.

TABLE A

[Thousand metric tons]

Calendar year	Local production	Argentina (by agreement)	U.S.S.R. (by agreement)	Total from these sources
1962	100	700	200	1,000
1963	150	1,000	200	1,350
1964	200	1,000	200	1,400
1965	300	1,200	300	1,800
1966	400	1,200	300	1,900

The anticipated supplies shown in the above table when subtracted from the reasonable target previously given will show the amount that would be necessary to be imported over the next 5 years. This is illustrated as follows:

TABLE B

[In thousand metric tons]

Calendar year	Reasonable target	Available from table A	Required from United States and other sources [1]
1962	2,700	1,000	1,700
1963	3,500	1,350	2,150
1964	3,950	1,400	2,550
1965	4,240	1,800	2,440
1966	4,440	1,900	2,540
Total	18,830	7,400	11,380

[1] Supplies from other non-Latin American sources have been negligible in the last 4 years and have averaged less than 40,000 tons during the past 10 years.

The above table indicates that wheat requirements from the United States will reach a level of about 2,500,000 tons annually in order to support a program such as outlined above. On the basis of cost to Brazil of around $70 per metric ton, this is equivalent to a total annual import value of approximately $175 million.

III—Relationship of the proposed program to U.S. sugar quotas

As previously shown with the decline of available supplies from Argentina and the reduction in production of wheat in Brazil in 1961, the U.S. share reached 1,614,000 tons, or over 80 percent of Brazilian 1961 imports. This was the highest rate on record. U.S. imports under title I of Public Law 480 accounted for almost two-thirds of Brazil's 1961 consumption. U.S. shipments to Brazil over the past 3 years are given below:

[1,000 metric tons]

	Title I	Barter	Section 416	Total programs	Others, cash	Total
1958–59	395.7	26.9	----------	422.6	52.9	475.5
1959–60	808.1	85.5	1.2	894.8	43.0	937.8
1960–61	844.1	101.2	4.4	949.7	120.1	1,069.8
3 year average	682.6	41.2	1.8	755.7	72.0	827.7

The suppliers for 1962 are as follows:

	Metric tons
Public Law 480 (4th agreement, in concluding stage of negotiations)	800,000
Argentina (multiyear agreement provides for 1,000,000 tons annually; in 1962 only 700,000 tons due to unavailability of supplies)	700,000
Usual marketing requirement of Public Law 480 agreement	300,000
U.S.S.R.	200,000
Increase to be requested of 4th Public Law 480 agreement	300,000
Domestic production	100,000
Current target	2,400,000

Source: Brazil's recent offer of nonquota sugar.

On January 3, 1962, as a result of discussions between the Brazilian officials and officials of the Great Plains Wheat organization, a memorandum was prepared outlining the interrelationship between the problems of sugar sales from Brazil to the United States and wheat exports from the United States to Brazil. Considering all factors it would appear that a combination of all three alternatives is desirable.

There is a risk on Brazil's part in permitting expansion of consumption that would require annually close to 2,500,000 tons of wheat from the United States without having some assurance that foreign exchange earnings can be generated to justify the program. For example, the target program proposed develops following additionality from the apparent consumption of wheat for foods in Brazil in 1961 of 2,100,000 tons.

[Thousand metric tons]

	Target	4-year average use (1958–61)	Additionality
1962	2,700	2,100	600
1963	3,500	2,100	1,400
1964	3,950	2,100	1,850
1965	4,240	2,100	2,140
1966	4,440	2,100	2,340
Total			8,330

There follows then the question of relating the sugar quota potential to the above program to determine the maximum extent to which such a program can be accommodated by a reasonable combination of cash purchases with a continuation of Public Law 480 program purchases under title I and, if possible, title IV.

SUGAR-WHEAT FORMULA

For the purpose of arriving at a formula to be agreed upon between the U.S. wheatgrowers and Brazilian authorities responsible for the wheat program, the following factors and assumptions are suggested for mutual agreement:

1. A figure of $70,000 per metric ton of wheat c.i.f. Brazil to be used as the approximate cost to Brazil in this period.

2. The f.o.b. value of sugar per short ton, Brazilian port, received from U.S. sugar sales, $105.

3. Brazil agrees to use at least 66.7 percent (seventy one-hundredths) of sugar dollars earned on basic sugar quotas to buy U.S. wheat each year during the period of the program, 1962–66.

4. During the 5-year period of the program, Brazil's purchases of U.S. wheat other than those mentioned in paragraph 3, above, would be made as follows:

(*a*) Under title I, for delivery in 1962–66, conditional to the availability of title I program beyond the present termination date.

(*b*) Under title IV, for delivery in 1963–64, in the amount necessary to provide sufficient funds to finance the expansion of storage facilities necessary to increase reserve stocks equivalent to a 60-day supply.

(*c*) Under title IV, or in cash, to the extent of the dollars earned from sales of sugar to the United States, to fill out the program of purchases in the United States in the event that title I availability is discontinued.

5. It is understood that adjustments to the program will be made according to—

(*a*) Extension and amendment of the Sugar Act by June 30, 1962, and the amount and/or the nature of the sugar quotas given to Brazil.

(*b*) Changes in Public Law 480 and the availability of wheat to Brazil under the different titles of that law.

(*c*) The actual experience in Brazil regarding the rate of increase in wheat consumption under conditions of free availability of wheat.

(*d*) In the event of short falls from other sources of supply and taking into account 5(*c*) above, Brazil agrees to give the United States at least equal opportunity in additional wheat purchases that may become necessary.

6. It is understood that if the provisions of this memo are approved by the Brazilian Government, a proposal for a 5-year program of wheat purchases in the United States, along the lines of this memo and subject only to the allocation to Brazil of a sugar quota, will be presented to the proper U.S. agencies.

Table C, below, illustrates how the suggested program may be implemented:

TABLE C

[Thousand metric tons]

Calendar year	Total required from the United States under assumed targets (table B)	Proposed from title I and title IV	Wheat for cash	
			By formula	Usual purchases [1]
1962	1,700	1,100	300	300
1963	2,150	1,500	500	150
1964	2,550	1,500	900	150
1965	2,440	1,300	990	150
1966	2,540	1,200	1,190	150
Total	11,380	6,600	3,880	900
5-year average	2,276	1,320	776	180

[1] The amount of 300,000 represents an increase above the 130,000 required in the previous program. Since his is an accelerated program the amount of 150,000 tons appears adequate.

Over the 5 years 1962–66, the 11,380,000 tons of wheat at $70 per metric ton is equivalent to $796,600,000. The 5-year average is $159,320,000.

Wheat for cash from the United States totals over the 5-year period 4,780,000 metric tons which is equivalent to $334,600,000. The average annual amount over the 5-year period is $67,920,000. The annual amounts start at $42 million in 1962 and increase to a figure of $88 million in 1966. The latter figure in terms of sugar is equivalent to 840,000 short tons.

At the end of the program, or in 1967, 1,200,000 metric tons of wheat would be required, or $84 million of exchange would be needed to replace Public Law 480 programs. This would be the equivalent of 800,000 additional short tons of U.S. sugar quota. In other words, at the end of the program, assuming Brazil could go on a cash basis against sugar sales, the program would theoretically justify a sugar quota exceeding 1.5 million short tons by 1965.

Senator DOUGLAS. Our next witness is Mr. L. Blaine Liljenquist, on behalf of the British Honduras.

In the initial list of witnesses, I think Mr. Paul Badger was stated to represent British Honduras. Are you substituting for him?

Mr. LILJENQUIST. Yes, sir, Senator Douglas. He is down in Florida now. He tried to get on earlier and could not. And so I will give his testimony for him.

Senator DOUGLAS. The statement which you will read was prepared by him?

Mr. LILJENQUIST. It was prepared by the two of us.

TESTIMONY OF L. BLAINE LILJENQUIST, ON BEHALF OF THE GOVERNMENT OF BRITISH HONDURAS

Senator DOUGLAS. Are you an American citizen, or are you a British citizen, residing in Honduras?

Mr. LILJENQUIST. Senator Douglas, I am an American citizen. I am the representative of the British Honduras on this legislation, and I am also an investor in British Honduras.

Senator DOUGLAS. Are you a member of Mr. Badger's law firm?

Mr. LILJENQUIST. No, I am not a member of Mr. Badger's law firm. But we are associated in some assignments.

Senator DOUGLAS. Proceed.

May I ask—have you filed a statement of representation of the Government of the British Honduras?

Mr. LILJENQUIST. Yes, sir, I have, and I have a copy of it here if you would like to receive it.

Senator DOUGLAS. We will come to that in time.

Mr. LILJENQUIST. Gentlemen, I won't read this statement. I think we can save a little time if I just speak extemporaneously.

British Honduras is a nearby country, as you probably all know. It is bordered by Mexico in the north and on the west, and by Guatemala on the west and on the south. The Caribbean is on the east.

Senator Morton a while ago commented on the importance of location for our sugar supply in the event of war. This little country is just a short boat haul away from New Orleans, or in case of emergency sugar from British Honduras could be trucked over land through Mexico.

It is an English-speaking country. It is pro-American. It has a low income. It needs economic development. There isn't much industry there—principally the timber business. Unfortunately this little country was devastated by Hurricane Hattie last fall. Hurricane Hattie swept through the country and destroyed its two principal cities—Belize, the capital, and Stann Creek Town.

About 300 people lost their lives in that hurricane, and the country was devastated quite substantially throughout.

I am appearing here because the United States has a good opportunity to give substantial economic aid to British Honduras by the allocation of a small quota of 30,000 tons. H.R. 12154 as passed by the House contains a sugar quota for British Honduras totaling 10,000 tons.

A larger quota is needed to attract the capital necessary to construct a new sugar mill. Adequate capital is available in the United States for the construction of this mill, provided the quota for British Honduras is raised to 30,000 tons.

If this quota of 30,000 tons which we are seeking should be approved by the Congress, and enacted into law, it would provide the largest economic enterprise in British Honduras.

We understand that the population increase in the United States is such that an increase of 150,000 tons is needed annually and under the House bill, about 37 percent of that annual growth increment would be assigned to foreign countries, or 55,000 tons annually.

We have an amendment here that we would like to offer for the consideration of your committee which provides that the basic quota

of 10,000 tons as is passed in the House bill for British Honduras would be increased in four annual increments of 5,000 tons a year out of this future growth expansion. Starting in 1963, the basic quota of 10,000 tons will be increased to 15,000, and additional increments of 5,000 tons each year would be added until in 1966 the quota for British Honduras would reach 30,000 tons annually, or enough to operate economically one new sugar mill, which will be constructed if this allocation is approved.

So, gentlemen, we feel that there isn't any country where you could allocate a small quota of 30,000 tons annually and derive more economic benefit for the people.

As I say, this little country of British Honduras, English speaking, has potential resources that have never been developed. The country is very actively seeking foreign capital, and particularly American capital for investment down there. A 30,000-ton sugar quota will greatly stimulate the economy of British Honduras. They desperately need some economic assistance down there, particularly because of the devastation of Hurricane Hattie last fall.

This is an amendment which we think the House Agricultural Committee will accept in the event the Senate sees fit to approve it.

Senator DOUGLAS. You have assurance to that effect?

Mr. LILJENQUIST. No, we do not have positive assurances, but it has been suggested this might be one way of obtaining some additional quota without in any way reducing the basic quotas of other countries.

Senator DOUGLAS. You say it has been suggested. Who has suggested this?

Mr. LILJENQUIST. I took this up with the counsel in the House Agriculture Committee, John Heimburger, and then we proceeded here, and the legislative counsel, through Senator Bennett, had this amendment prepared.

If this quota of 30,000 tons for British Honduras is approved, it would represent three-tenths of 1 percent of our total consumption of 9,700,000 tons, and it would also represent eight-tenths of 1 percent of the quota under the Cooley bill, which is assigned to foreign countries.

So, gentlemen, we are not asking for very much for British Honduras—just enough sugar quota to operate one new sugar mill.

We have been informed by the British Honduras Government that if this quota is approved, that this will mean an allocation of sugarcane production for at least 300 farmers in that section of the British Honduras where the sugar mill would be constructed.

Senator DOUGLAS. Does that complete your presentation?

Mr. LILJENQUIST. Yes, sir.

(The statement of Mr. Liljenquist and appended material referred to follow:)

STATEMENT OF L. BLAINE LILJENQUIST, REPRESENTING THE GOVERNMENT OF BRITISH HONDURAS

Chairman Byrd and members of the committee, my name is L. Blaine Liljenquist, of Washington, D.C. I am appearing before you today in behalf of the Government of British Honduras, which is seeking the allocation of a modest sugar quota under the provisions of the pending sugar legislation.

British Honduras is on the east coast of Central America facing the Caribbean Sea—and is bounded on the north and west by Mexico, and on the west and south by Guatemala. The total land area of British Honduras is 8,866 square miles, which includes a number of islets lying off the coast. The coastline, fringed by a barrier reef, is flat and swampy, but the country rises gradually toward the interior. The climate is subtropical and is on the whole agreeable to nontropical peoples. In the capital, Belize, the annual temperature range is 50 to 96 degrees with an annual average mean of approximately 78°. Along the coast heat and humidity are tempered by sea breezes during most of the year.

The estimated population of British Honduras is 93,000, with a density of approximately 10 persons per square mile. Of this total about 40 percent are of Latin American descent, 40 percent of African descent, 15 percent other, 3.4 percent European, and 1.6 percent of East Indian descent. English is the official language.

British Honduras has recently been given certain constitutional advances by the United Kingdom Government. This includes a full ministerial system and an enlarged legislative assembly having twice as many elected members as formerly. British Honduras can therefore be classified as a crown colony emerging toward independence within the Commonwealth.

Until recent years, the economy of British Honduras was principally based upon lumbering and chicle. Mahogany, secondary hardwoods and pine still account for most of the small national income, but they are diminishing in importance.

It should also be noted that British Honduras, unlike many of its Latin American neighbors, does not have a land reform problem. The farming unit averages about 15 acres in size, and these small farms are individually owned and operated. The Government permits and encourages the farmer to acquire title to his tract of land within a reasonable period of time—the principal requirement being that he continue to improve and develop the land.

The Government of British Honduras has as its main economic concern the attraction of private investment capital, as well as the obtaining of loans and technical aid in order to broaden its economic base. The stated objectives of the United States are: (1) To maintain the cordial relations with British Honduras which have existed in the past, and (2) to encourage the economic development of British Honduras. The Government of the United States could not hope to find a more timely and effective means of accomplishing these objectives than by allowing this good neighbor to participate in supplying our sugar market.

In testifying before the House Committee on Agriculture, we requested that British Honduras be granted the right to supply a part of the sugar requirements of the United States—beginning with an allocation of 5,000 short tons in 1964, which would be increased in three successive annual steps to a total of 30,000 tons in 1967, and that it be continued annually thereafter at that level. As passed by the House, H.R. 12154 provides a basic quota of 10,000 tons of sugar for British Honduras. This amount is economically inadequate to provide for the construction and operation of a modern, efficient sugar mill in British Honduras—which would provide a much-needed stimulus to its national economy and assist the Government to meet its balance-of-payments deficit with the United States. Studies show that a total production of 25,000 to 30,000 tons is necessary to justify the construction and economic operation of a modern sugar mill.

We are, therefore, submitting herewith for the favorable consideration of this committee an amendment to H.R. 12154, which in effect, if adopted, would provide a basic quota for British Honduras of 15,000 tons in 1963—to be increased thereafter by an increment of 5,000 tons annually in three successive steps until it reaches a total of 30,000 tons in 1966. The amendment further provides that the requested increase shall be supplied from that portion of the annual growth requirement which is allocated to foreign countries.

The projected quota for British Honduras in 1966 would equal approximately three-tenths of 1 percent of 9,700,000 tons, the total consumption estimate for the United States. If the provisions of the pending legislation are followed, foreign nations would be assured of the right to supply slightly more than 40 percent of the entire U.S. sugar requirement—or approximately 3,880,000 tons of sugar. The projected quota for British Honduras in 1966 would equal approximately eight-tenths of 1 percent of this figure. Estimates indicate that the population of the United States is increasing at a rate requiring at least 150,000 additional tons of sugar each year. Under the proposed bill foreign countries

will have the right to share in 37 percent of this growth and expansion requirement—or approximately 55,500 tons per year. In other words, the requested increase in the quota for British Honduras would be filled entirely from this annual growth and expansion increment and, therefore, would not affect domestic producers in any way, and it would not diminish the basic quotas of the other foreign countries.

We sincerely believe that the extension of the suggested sugar quota to British Honduras is in keeping with our national interest and is fully supported by the following reasons:

(1) As a matter of national security, it would help us to develop and maintain an adequate source of supply for our sugar requirements within the continental limits of the Western Hemisphere. In this connection your attention is directed to the attached map. In the event of a national emergency, sugar from British Honduras could be transported safely and cheaply by a short boat haul to New Orleans, or under more extreme circumstances overland by truck transport through Mexico. This certainty of delivery could be of extreme importance to the United States in time of war.

(2) As a matter of equity, to permit this nearby friendly foreign country to participate equitably in supplying the U.S. sugar market. This is one of the basic objectives of our sugar program, which has worked so well for many years. At the present time many of the Latin American countries adjacent to British Honduras are already participating in our sugar program, either on a quota basis—including Mexico, Nicaragua, Peru, Panama, Costa Rica, Haiti, and the Dominican Republic, or under non-quota purchase allocations—including Guatemala, El Salvador, Ecuador, and Colombia. Further, under the provisions of H.R. 12154, Guatemala would be allocated a quota of 20,000 tons, Ecuador 30,000 tons, Colombia 35,000 tons, for example, compared with the 10,000 tons allocated to British Honduras. In fairness, there seems to be no good reason why we should deny British Honduras a more equitable opportunity.

(3) As a matter of foreign trade policy, our Government is stimulating and encouraging a program of expanded international trade. In 1961, British Honduras purchased more than $7 million worth of products from the United States (mostly agricultural products). In return, we purchased only slightly more than $1 million worth of products from this pro-American, English speaking country. By granting a sugar quota of the suggested dimension to British Honduras we could greatly stimulate her economy, create new markets for our products, and increase our exports.

(4) As a means of encouraging the economic development of British Honduras, a sugar quota would help to meet a critical need at an opportune time. This country desperately needs economic assistance. In October 1961, "Hurricane Hattie" swept across British Honduras with all its fury, largely destroying the two principal cities, Belize, the capital, and Stann Creek Town, and severely damaging other parts of the country. The homes of more than 40 percent of the population were either destroyed or badly damaged, with the loss of nearly 300 lives. Two of the principal income producing industries, timber and cacao, suffered great losses. Over 3,000 square miles of forest lands were devastated. The citrus and sugarcane crops resisted the storm comparatively well and it has been determined that more reliance must be placed upon these and other agricultural crops in future planning. A recent British Honduras economic mission to this country, seeking economic assistance for rehabilitation and reconstruction was unsuccessful, not because its needs were not real, but because no ready means could be found for securing the assistance required.

(5) As a means of supporting the objectives of the Alliance for Progress a sugar quota for British Honduras constitutes an important instrument of our foreign policy in Latin America. Unfortunately, as a dependency of the United Kingdom, British Honduras is not a member of the Alliance for Progress. For this reason she is not eligible for the various aid programs sponsored by the Alliance. Nevertheless, the legal and moral framework in which we must work is amply clear. The United States is committed to giving maximum support to those countries which inaugurate necessary social reforms and make energetic self-help efforts. A sugar quota would help British Honduras help herself. If such a quota is approved sufficient foreign capital investment is assured for the construction and operation of a modern sugar mill. This in turn will mean the allocation of sugarcane production quotas to at least 300 additional local farmers. In so doing we can assist the people of British Honduras to meet the principal objectives of the Alliance for Progress, as laid down in the Charter of Punta del Este, namely: First, to increase per capita income; second, to

achieve a more equitable distribution of national income; and third, to diversify their national economy. In so doing we can play our part in helping to keep alive, with our resources, with our political and moral backing, the principles of freedom and democracy which are so important to the future of Latin America.

We earnestly hope and trust that this committee and the Congress will act favorably upon this request to allow British Honduras to participate on an equitable and economically feasible basis in our sugar market. Thank you.

AMENDMENT

H.R. 12154, to amend and extend the provisions of the Sugar Act of 1948, as amended, viz:

On page 7, after line 4, insert the following: [1]

"(C) Notwithstanding any other provisions of this paragraph, the proration made to British Honduras under subparagraph (A) shall be not less than the following amounts of sugar, raw value:

"(i) For 1963, 15,000 short tons;

"(ii) For 1964, 20,000 short tons;

"(iii) For 1965, 25,000 short tons; and

"(iv) For 1966, 30,000 short tons.

This subparagraph shall apply only to the extent that the quota for foreign countries other than the Philippines determined under paragraph (2) of this subsection for 1963, 1964, 1965, and 1966, respectively, exceeds 2,840,000 short tons, raw value, by 5,000 short tons, 10,000 short tons, 15,000 short tons, and 20,000 short tons, respectively."

Senator DOUGLAS. Mr. Liljenquist, do I understand that British Honduras has not had any previous quota?

Mr. LILJENQUIST. They have never had any quota in the United States. They do produce some sugarcane. They have one mill in the northern part of the country which is supplying some sugar to Great Britain.

Senator DOUGLAS. Of course, you are aware of the fact that the price which will be paid to your producers is $56 a ton in excess of the world price. So the House bill provides you with a subsidy of $560,000 a year for 5 years, or a total of $2.8 million. You are now asking to have this increased by 5,000 tons a year, up to 30,000 tons. So you are proposing an ultimate tripling of the subsidy to $1,680,000 for the year 1966.

May I ask how much do you get for the sugar which you sell under the British Commonwealth agreement? Are you in the British Commonwealth agreement?

Mr. LILJENQUIST. Yes. The sugar that goes to Great Britain, as I understand it, is substantially the American price. It is somewhat less.

Senator DOUGLAS. How much less?

Mr. LILJENQUIST. I could not say precisely, Senator, but as far as the request for sugar in the U.S. market is concerned, we would like to share in the foreign allocations if they are made. If they are made, we would like to see British Honduras have a quota sufficient to enable them to construct one new mill and market that sugar in the United States.

As a matter of fact, if there is not a premium price paid for this sugar, it would be economically impossible to attract the capital to build a new mill.

Senator DOUGLAS. Do you think we should assume some of the responsibility of the British Commonwealth for British Honduras?

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[1] The page and line reference is to the bill as reported in the House inasmuch as the bill as passed by the House was not yet available.

Mr. LILJENQUIST. I think so, Senator, because this country is on its way to independence. Already they have the electoral system that they have in Canada, where the people elect their own ministers. The Governor, appointed by the Queen of England, is pretty largely a figurehead. They do have their own government. George Price, the First Minister, has been here. They are exceedingly interested in economic development.

They had a recent British Honduras economic mission here to this country, seeking economic assistance for rehabilitation and reconstruction. This economic mission was not successful.

I think that because this is an English-speaking country, because it is pro-American, and also because they buy from us over $7 million worth of products annually, most of them agricultural products, and we buy from them a little over $1 million worth of products, largely timber products, we should help them. And if we are going to assign these quotas to foreign countries, let's at least give British Honduras 30,000 tons to help them build up their economy.

Senator DOUGLAS. Well, now, if British Honduras gets a subsidy and an increasing subsidy from the United States, wouldn't this weaken the ties which bind British Honduras to Great Britain and diminish the loyalty which they feel toward Queen Elizabeth?

Mr. LILJENQUIST. Well, Senator, I do not think that that is going to be such a problem to us. I think that——

Senator DOUGLAS. Won't it be a real problem with Great Britain? Will not Great Britain object that we are trying to seduce you away from your loyalty to Queen Elizabeth by making you financially dependent upon us? And while we might perhaps get the friendship of the 93,000 people in British Honduras, we would be still further in the disesteem of the 50 million people in the United Kingdom.

I could have said the same thing to Mauritius. Will not Great Britain feel that we are trying to wean Mauritius away from them and wean India away?

Now, we want to maintain a strong British Commonwealth of nations. We do not want to diminish the sway of the British Empire. And yet here you are asking for aid and assistance which can only have the indirect effect of weakening the bonds of affection which should connect you with your lawful Queen and sovereign.

Mr. LILJENQUIST. Senator——

Senator DOUGLAS. And it would be called dollar diplomacy with a vengeance.

Mr. LILJENQUIST. Senator, I can only say that the British Embassy is aware of the application of the British Honduras Government for a sugar quota in the United States market. They have cooperated, they have even appealed to our State Department in support of the quota for British Honduras. And inasmuch as there are already steps on the way to help that country obtain independence of Great Britain I think that—and inasmuch as our Government has included British Honduras in the Alliance for Progress program——

Senator DOUGLAS. I had not realized that. Is it in the Alliance for Progress?

Mr. LILJENQUIST. It is my understanding that they are eligible for loans through our AID.

Senator DOUGLAS. Eligible for grants? I thought that we had very carefully kept away from this in order not to weaken the economic

relationships between the mother country and the crown colonies and the others. The Senator from Arkansas knows much more about this than I do.

Senator FULBRIGHT. I came in late. I apologize, Mr. Chairman.

Senator DOUGLAS. The question is whether the British possessions in North and South America are eligible for assistance under the Alliance for Progress.

Senator FULBRIGHT. I'm afraid I cannot answer that offhand, Mr. Chairman.

Senator DOUGLAS. Would you file that for the record—whether or not they are?

Mr. LILJENQUIST. Yes, I shall do so. It is my understanding that they are; that they are eligible for loans from the Agency for International Development.

Senator DOUGLAS. And grants?

Mr. LILJENQUIST. I cannot say about grants. But I shall check that and report to the record, Senator.

(The information was not received at the time the hearings were received. If received it will be made a part of the committee files.)

Senator DOUGLAS. Now, Mr. Liljenquist, are you receiving a fee for appearing on behalf of the Government of British Honduras?

Mr. LILJENQUIST. No, sir.

Senator DOUGLAS. Do you know if Mr. Badger is receiving a fee?

Mr. LILJENQUIST. No, sir.

Senator DOUGLAS. Well, wait a minute—you do not know whether he is receiving a fee or he is not receiving a fee—which?

Mr. LILJENQUIST. I know he is not receiving a fee.

Senator DOUGLAS. And you are not receiving a fee.

Mr. LILJENQUIST. No, sir.

Senator DOUGLAS. Is anyone receiving a fee?

Mr. LILJENQUIST. No, sir.

Senator DOUGLAS. This is purely a gratuitous act on your part?

Mr. LILJENQUIST. Yes, sir.

Senator DOUGLAS. Thank you.

Any questions?

Senator MORTON. Has British Honduras fulfilled its obligation to the United Kingdom in sugar?

Mr. LILJENQUIST. I understand not entirely so. They have one small mill in the northern part of the country. I think their allocation to the British is 19,000 tons, and then they also consume some locally. My understanding is that they have not always fulfilled that requirement.

Senator MORTON. Your position, then, is different from the previous witness, speaking of Mauritius, who had a surplus of sugar. You have no surplus. If fact, British Honduras has not been able to even fulfill its commitments to the United Kingdom under the Commonwealth sugar program.

Mr. LILJENQUIST. That is true. But that situation can be corrected——

Senator MORTON. Oh, yes. You could plant a lot more sugar. We could do that in Nebraska, too. So what you are asking us to do is not only take the House bill, which gets you in, but then to increase it through this amendment that you suggest, to a country that today

cannot even ship the sugar that it agreed to ship to the United Kingdom.

Mr. LILJENQUIST. Yes. But in the event the sugar quota is obtained here, we have assurances from American capital that the mill will be built, and I do not think there would be too much difficulty in supplying the cane.

Senator MORTON. I agree with that. And I suppose there are many American companies that would be glad to furnish the capital with the profit incentive being what it is in this program.

Mr. LILJENQUIST. I would like to obtain information on their quota with the United Kingdom, and the quantity they have supplied and submit that for the record. I could be mistaken on what they have supplied.

(The information was not received at the time the hearings were printed. If received it will be made a part of the committee files.)

Senator MORTON. I hope you will do that, sir. But it is my information that they have never, or at least not in the last 5 years, met the quota that they had in the London market.

I have been to Belize. In fact, I used to do business there. I have many friends there. I have every sympathy in the word for the ambitions of the citizens of British Honduras. I do not want to see them unfriendly. I also recognize this—that by going through the Lloyd Passage or the Yucatan Channel, or whatever you want to call it, to New Orleans you have a very short sea route to the Mississippi Delta, easy access by ship to this country. I think it would be a good place in which to have, as an offshort source of sugar.

Mr. LILJENQUIST. And also a hard truck road all the way down through Mexico.

Senator MORTON. I would rather take it by the sea than through that road. I have driven that one, too.

I think that there is an opportunity for a sugar industry, increasing the cane production. But the fact remains that so far—now, of course, I will admit the British price is not quite as attractive as our price. But so far you have not made use of the markets available. And I think in approaching this bill, with all the problems we have, when you ask us to amend it, to go even beyond what was done by our generous friends on the House Agriculture Committee, you are just—we are going to have a hard enough time getting any bill out of this committee. Don't ask us to amend it in that direction, because we are really going to be in trouble then, I can assure you.

Mr. LILJENQUIST. You know, Senator Morton, if you are going to assign any foreign quotas, it would seem to me you would particularly want to help a little, pro-American country like British Honduras, which has so recently been devasted by a tragic hurricane. This little country certainly needs economic development. You can start a whole economic chain reaction by commencing with a small quota down there of 30,000 tons. I think that that would not be a burden on the United States. They are now starting to attract American business. I am down there with a group that have a cattle operation. We are getting ready to build a packing plant. We will be the only packing plant in the country. We are going to try to get those farmers down there producing cattle and also hogs for this packing plant. I think——

Senator MORTON. Where are you going to ship the produce? Here?

Mr. LILJENQUIST. No, we are going to sell it in the Caribbean area. We have a contract to sell to the troops—both British and local. And we are supplying that market now.

But we feel that here is a wonderful opportunity for the United States, with just a little bit of its quota on sugar, to come in here to a friendly nation and help them out economically.

As I say, they were up here recently with an economic mission and got nothing at all. Why don't we give them a little quota, enough to operate one new mill.

American Factors, Ltd., in Hawaii, if the allocation is approved, will go down and construct and operate the sugar mill. With what American know-how we have down there, I am sure we can get things organized to produce the cane.

Senator MORTON. I do not question that at all. You have the climate, you have the land, you have the necessary labor. And you have, as I say, rather efficient transport to our refineries in this country.

You just asked me if we assign these quotas that you want—I think you have made a good case.

Now, let's just put it this way.

Suppose that Congress in its wisdom, or lack of wisdom, decides that we are not going to assign these quotas. Then you are OK. Your American investor could still go down there with all the American know-how and all the efficient potential productive land you have got and your climate and your short haul, with the low freight—you are certainly in a position to get your share of the global quota.

Mr. LILJENQUIST. Well, the world market price is so low that no company is going to go down there and invest in a sugar mill on that world price. But if we could come into the U.S. market, which is a premium price, that's a different story—then we can get the mill. Otherwise, Senator, we are not going to have a sugar mill down there.

Senator MORTON. Well, I will ask my colleague, the very able chairman of the Foreign Relations Committee, to see what we can do on approaching the problem of British Honduras, for whom I have the highest respect and regard, for the people of that country—ask him to see if he cannot work it out on some other basis.

Did you ever get in the mahogany business down there?

Mr. LILJENQUIST. No, sir.

Senator MORTON. Well, back years ago—I have been to Belize, I used to peddle flour down there. And I got a rumor started around there that nobody should go into the woods for mahogany if he did not carry Bluebird flour with him. And they all got the Bluebird flour. So I am grateful to those people. I will help you if I can. But I don't think your amendment stands a chance.

Senator FULBRIGHT. Mr. Chairman—if I understand, you have registered under the Foreign Agents Registration Act as a representative of the British Honduras?

Mr. LILJENQUIST. Yes, sir.

Senator FULBRIGHT. When did you register?

Mr. LILJENQUIST. I registered this morning.

Senator FULBRIGHT. Do you have a copy of your registration statement?

Mr. LILJENQUIST. Yes, sir.

Senator FULBRIGHT. Would you submit it to the committee for the record?

Mr. LILJENQUIST. All right, sir.

(This data is included in the insert below:)

Senator FULBRIGHT. I understand you are receiving no pay.

Mr. LILJENQUIST. That's correct.

Senator FULBRIGHT. That is very unusual, is it not?

Mr. LILJENQUIST. Well, in the first place the British Honduras Government cannot afford to pay fees to anyone in their present economic condition. But in addition, as I mentioned prior to your coming in Senator, I am an investor in that country and we do operate a farm down there, a cattle farm. We are very interested in the economic development of that country.

Senator FULBRIGHT. Are you a citizen of the British Honduras?

Mr. LILJENQUIST. No, sir; I am an American citizen.

Senator FULBRIGHT. You are an American citizen?

Mr. LILJENQUIST. Yes.

Senator FULBRIGHT. Do you anticipate that if the quota is given, that it will be an American company?

Mr. LILJENQUIST. No. The British Honduras Government has stated that if this quota is approved, that at least 300 British Honduras farmers in the southern area will receive quotas.

Senator FULBRIGHT. What happened to Mr. Badger, who was supposed to appear here?

Mr. LILJENQUIST. Mr. Badger is scheduled to give a talk down in Florida. He tried to appear before your committee earlier and did not succeed. He called me yesterday in Chicago and asked me if there was any possibility of my getting back here. I did arrive early this morning, and I came over.

Senator FULBRIGHT. Oh, I see. That is why you registered this morning.

Mr. LILJENQUIST. Yes; I have a letter from the British Honduras Government, dated June 11, which I filed as a part of my registration with the Department of Justice, and I will submit that also for the record.

(The letter referred to follows:)

BRITISH HONDURAS, MINISTRY OF NATURAL RESOURCES,
COMMERCE AND INDUSTRY,
Belize, June 11, 1962.

Mr. L. BLAINE LILJENQUIST,
Washington, D.C., U.S.A.

SIR: I am enclosing a letter authorizing you to represent the Government of British Honduras on matters pertaining to the securing of a sugar quota under the U.S. Sugar Act. This letter is sent on the understanding that your firm is undertaking this assignment at no cost to the Government of British Honduras.

I am, sir,
Your obedient servant,

A. A. HUNTER,
Minister of Natural Resources, Commerce and Industry.

BRITISH HONDURAS MINISTRY OF
NATURAL RESOURCES, COMMERCE, AND INDUSTRY,
Belize, June 11, 1962.

Mr. L. BLAINE LILJENQUIST,
Washington, D.C., U.S.A.

SIR: I have the honor to refer to the conversation which took place on the 22d of May, 1962, at the British Embassy in Washington, D.C., between myself, Mr. Cullen, and Mrs. Harker of the British Embassy staff, and your assistant, Mr. Paul Badger and Dr. G. Taylor of Machete Nile Ltd. I informed Mr. Badger and Dr. G. Taylor then that the Government of British Honduras wanted your firm and Dr. G. Taylor to represent them at the hearings being held at the time by the Committee on Agriculture of the U.S. House of Representatives on a bill to amend and extend the provisions of the Sugar Act of 1948.

2. I am to say that after consultation in executive council my colleagues in government have confirmed the verbal appointment I made on the 22d of May 1962, and have instructed me to send you this letter authorizing you to represent the Government of British Honduras on matters pertaining only to the securing of a sugar quota under the U.S. Sugar Act.

I am, Sir,

Your obedient servant,

A. A. HUNTER,
Minister of Natural Resources, Commerce and Industry.

U.S. DEPARTMENT OF JUSTICE

Washington, D.C.

REGISTRATION STATEMENT PURSUANT TO SECTION 2 OF THE FOREIGN AGENTS REGISTRATION ACT OF 1938, AS AMENDED

1. (a) Name of registrant: L. Blaine Liljenquist.
(b) All other names ever used by registrant and when used: None.
(c) All present business addresses: 917 15th Street NW., Washington, D.C.
(d) All present residence addresses: 3750 North 30th Place, Arlington 7, Va.
2. (a) Date and place of registrant's birth: April 5, 1912, Salt Lake City, Utah.
(b) Present citizenship or nationality: United States of America.
(c) If present citizenship not acquired by birth, indicate when, where, and how acquired: Inapplicable.
3. All visits to or residence in foreign countries during the past 5 years:

Name of foreign country: Japan.

Purpose of visit or stay in foreign country: To arrange for extension of trade agreement between Japanese and the United States hide and leather industry.

Date and port of departure from United States: August 1961, San Francisco, Calif.

Date and port of entry into the United States: September 1961, San Francisco, Calif.

4. (*a*) All clubs, societies, committees, and other nonbusiness organizations, in the United States or elsewhere, of which registrant is or has been during the past 5 years a member, director, officer, or employee:

Name and address of organization and nature of connection with organization: National Association Executive Club (director); American Society of Association Executives (director); Livestock Conservation, Inc. (director); Washington Trade Association Executives.

(*b*) All membership or service during the past 10 years in the active or reserve military, naval, or other armed forces of any foreign government or foreign political party: None.

5. Name and principal address of each foreign principal of registrant:

(1) Philippine Cocoanut Administration, Quezon Memorial Park, Diliman, Quezon City, P.I. (previous registration).

(2) Ministry of Natural Resources, Commerce, and Industry, British Honduras, Belize, British Honduras.

6. State the nature and purpose of registrant's representation of each foreign principal named under item 5 and describe fully all activities of registrant for or in the interests of each such foreign principal.

(1) To secure the repeal or elimination of the 3 cents per pound processing tax on Philippine cocoanut oil.

(2) To secure a sugar quota for British Honduras under the provisions of H.R. 12154, amending the Sugar Act of 1948.

7. Describe briefly all other businesses, occupations, and public activities in which registrant is presently engaged: President, Western States Meatpackers Association, 917 15th Street NW., Washington 5, D.C.; executive secretary, Candy Brokers Association of America, 917 15th Street NW., Washington 5, D.C.

8. All employees and other individuals who render any services or assistance to registrant, with or without compensation, for or in the interests of each foreign principal named under item 5:

Name and address of employee or other individual and nature of services or assistance rendered: Paul L. Badger, 917 15th Street NW., Washington 5, D.C.; legal services and general assistance.

9. Furnish the following information as to registrant's receipts and expenditures during the 3 months preceding the filing of this statement. The information may, if registrant desires, be furnished for registrant's latest fiscal quarter or other latest fiscal period of not less than 3 months.

(a) All amounts received during the period directly or indirectly from each foreign principal named under item 5, itemized as follows: [1]

Date funds received: (1) 1960.

Name of foreign principal from whom funds received: [2] Philippine Cocoanut Administration.

Purpose for which received: [3] See paragraph 6(1) above.

Amount received: [4] $4,000.

(2) The terms of my undertaking for the government of British Honduras provide no compensation.

(b) All amounts received during the period from other sources to be used directly or indirectly for or in the interests of any foreign principal named under item 5, itemized as follows: None.

(c) All expenditures made during the period directly or indirectly for or in the interests of each foreign principal named under item 5, itemized as follows: [5]

Date payment was made: 1960 (item 5(1)).

Purposes for which payment was made: Postage, taxi fares and other business purposes.

Amount of payment: [4] $39.35.

10. (a) Speeches, lectures, talks, and radio broadcasts arranged, sponsored or delivered by registrant during the past 3 months: None.

(b) Publications prepared or distributed by registrant, or by others for registrant, or in the preparation or distribution of which registrant rendered any sevices or assistance, during the past 6 months. (Indicate each type of publication by an ×.)

(1) Press releases	----	(12) Radio programs	----
(2) News bulletins	----	(13) Radio scripts	----
(3) Newspapers	----	(14) Moving pictures	----
(4) Articles	----	(15) Lantern slides	----
(5) Books	----	(16) Still pictures	----
(6) Magazines	----	(17) Posters	----
(7) Pamphlets	----	(18) Photographs	----
(8) Circulars	----	(19) Charts	----
(9) Form letters	----	(20) Maps	----
(10) Reprints	----	(21) Other publications	×
(11) Copies of speeches, lectures, talks, or radio broadcasts	----		

[1] Includes all amounts so received, whether received as compensation, loans, contributions, subscriptions, fees, dues, subsidies, or otherwise.

[2] Receipts from a person amounting to less than $100 for the period may be combined with other like amounts, provided the source of the funds is clearly indicated.

[3] Where funds were received for various purposes, such purposes shall be listed in reasonable detail.

[4] Show separately the amount received for each purpose listed under the preceding column.

[5] Include all transfers of funds to any foreign principal.

(c) Preparation of publications referred to in answer to (b) above.
Number checked under (b) : (21).
Description of publication: Statement before the Agriculture Committee of the House of Representatives, May 23, 1962.
By whom written, edited, or prepared : Paul L. Badger.
By whom printed, produced, or published : Self.
(d) Distribution of publications referred to in answer to (b) above.
Number checked under (b) : (21).
Name of distributor : House Committee on Agriculture.
Methods and channels of distribution : Press.
Classes or groups of persons to which distributed: Statements are made available to any person interested.

11. (a) Registrant's connections, not fully described above, with foreign governments, foreign political parties, or officials or agencies thereof: None.

(b) Registrant's pecuniary interest in or control over partnerships, corporations, associations, or other organizations or combinations of individuals, not fully described above :

Name of organization or combination: Machete Nile, Ltd., a British Honduras corporation.
Nature of Registrant's ownership or other pecuniary interest : stockholder.
Nature of any direction or control exercised by registrant : Director.

(c) If the registrant is subject to the supervision, direction, or control of any individual or organization, except as hereinabove fully described in this statement, explain fully : None.

12. File the following exhibits with this statement :

Short form registration statement.—File a short form registration statement on the printed form provided therefor, for each person named under item 8.

Exhibit B.—File a copy of the agreement, arrangement, or authorization (or if not in writing, a written description thereof) pursuant to which Registrant is acting for, or receiving funds from, each foreign principal named under item 5.

Exhibit C.—File an exhibit C, on the printed form provided therefor, for each foreign principal named under item 5.

Exhibit D.—File copies of all printed matter referred to under item 10(b), except photographs and moving pictures.

Exhibit E.—File a copy of the agreement or arrangement (or if not in writing, a written description thereof) between the registrant and each business firm or other organization named under item 10(c) or (d).

The undersigned swears or affirms that he has read the information set forth in this statement and the attached exhibits, that he is familiar with the contents thereof, and that such contents are in their entirety true and accurate to the best of his knowledge and belief, except that the undersigned makes no representation as to the truth or accuracy of the information contained in short form registration statements insofar as such information is not within his personal knowledge.

(Both copies of this statement shall be signed by the registrant and sworn to before a notary public or other officer authorized to administer oaths.)

L. Blaine Liljenquist.

(Signature—Type or print name underneath)

Subscribed and sworn to before me at _____ this ____ day of _____, 19__

(Signature of notary or other officer)

My commission expires _____, 19__

EXHIBIT C TO REGISTRATION STATEMENTS UNDER THE FOREIGN AGENTS REGISTRATION ACT OF 1938, AS AMENDED

Furnish this exhibit for each foreign principal of the registrant. This exhibit will not be accepted for filing unless it is reasonably complete and accurate.

1. Name and address of registrant : L. Blaine Liljenquist, 917 15th Street NW., Washington, D.C.

2. (a) Name of foreign principal: Ministry of Natural Resources, Commerce and Industry, British Honduras.

(b) Principal address of foreign principal: Belize, British Honduras.

3. If the foreign principal is a foreign government, state the following:

Branch or agency thereof represented by registrant: Ministry of Natural Resources, Commerce and Industry.

Name and title of official with whom registrant deals: Alexander A. Hunter, Ministry of Natural Resources, etc.

4. If the foreign principal is an individual (natural person), state: (a) All present business and residence addresses not given under item 2(b): Not applicable.

5. If the foreign principal is not an individual (natural person) or a foreign government, state the following: (a) Type of foreign principal's organization: Not applicable.

(c) All partners, officers, directors, and similar officials of the foreign principal: Not applicable.

(d) List, if any, all of the foreign principal's branches and local units and other component or affiliated groups or organizations in the United States and elsewhere: Not applicable.

(e) Branch or group, if any, represented by registrant: Not applicable.

6. If the foreign principal is not a foreign government but is supervised, directed, or controlled by a foreign government, foreign political party, or an official or agency thereof, or by any other person or persons, state name of such government, political party, or other persons and nature and extent of supervision, direction, or control: Not applicable.

7. If the foreign principal is not a foreign government but is financed or subsidized in any way by a foreign government, foreign political party, or an official or agency thereof, or by any other person or persons, state name of such government, political party, or other persons and nature and extent of such financing or subsidization: Not applicable.

8. If the foreign principal is not a foreign government, state nature of all its businesses, occupations or functions: Not applicable.

Senator FULBRIGHT. Well, that is all, Mr. Chairman.

Senator DOUGLAS. Any other questions?

Senator MORTON. Just so we understand, Mr. Chairman—I think the fact that the witness registered this morning is just because he is pinch-hitting here, and I do not want it to be interpreted in any way as any reflection on him. I think that you are rendering a service for British Honduras, and the fact that you are doing it without a fee, I think you are to be commended for that.

Mr. LILJENQUIST. Thank you, sir.

Senator DOUGLAS. Mr. Liljenquist, just one or two questions. Would it be your intent to put up or assist in putting up the sugar mill under the present quota, or if the quota were increased?

Mr. LILJENQUIST. I beg your pardon?

Senator DOUGLAS. Would it be your intention to participate in putting up the new sugar mill under the present quota, or if the quota were increased?

Mr. LILJENQUIST. In the event that were done, sir, the American factors in Hawaii would put up the sugar mill. It is possible that our farms down there would participate in raising cane. At least we would benefit from byproducts of the mill in our cattle industry. We could purchase byproducts.

Senator DOUGLAS. Thank you, Mr. Liljenquist.

Senator DOUGLAS. Our next witness is Albert S. Nemir, Brazilian Sugar and Alcohol Institute.

STATEMENT OF ALBERT S. NEMIR ON BEHALF OF THE SUGAR AND ALCOHOL INSTITUTE OF BRAZIL, ACCOMPANIED BY HERBERT C. HATHORN

Mr. NEMIR. Mr. Chairman, my name is Albert S. Nemir of A. S. Nemir Associates. I have with me Mr. Hathorn.

Our firm represents the Sugar and Alcohol Institute of Brazil, an entity of the Brazilian Government, which was established in 1930 to assure the orderly production and distribution of sugar.

We appeared before the House Committee on Agriculture on May 21, 1962, to give testimony and supplementary information on Brazil's behalf. For a detailed presentation of our case, I wish to refer the Senate Finance Committee to pages 320 to 371, inclusive, of the hearings before the Committee on Agriculture, House of Representatives, 87th Congress, 2d session, on sugar.

H.R. 12165 gives Brazil, for the first time, a basic quota of 190,000 short tons, currently based on an annual level of sugar consumption in the United States of 9,700,000 short tons.

In addition, 150,000 tons was authorized for purchase on a temporary basis through December 1963. In 1961, Brazil shipped to the United States 300,000 tons of nonquota sugar allocations, and in 1960, 100,000 tons.

Mr. Chairman, I have been concerned with sugar matters for 27 years. It is my opinion that without a fixed quota system, under current world conditions, the United States would be courting disruption in supply and could expect erratic price conditions in our sugar market in the next few years.

We are here to present to your committee the reasons why we believe Brazil qualifiies for a substantial basis sugar quota.

I. Brazil qualifies under all criteria of the Sugar Act for the following reasons:

(1) Brazil was the largest producer of commercial cane sugar in the world in 1961–62 friendly to the United States. Her ability to ship substantial quantities of sugar on short notice has already been demonstrated. Production in 1961–62 will total around 4 million short tons, raw value, of which 3 million tons is for the domestic market and the remainder will be available for export. Her exports during the past 4 years have averaged over 800,000 short tons. Production is continuous throughout the year since there are two crops—in the northeast from September to April and in the south from June to December.

(2) Brazil has 368 mills well dispersed throughout the producing areas. Ownership is widely scattered throughout the producing area and there is very little concentration of production in large mills.

For example, average size in the State of Pernambuco for the 54 mills is around 16,000 tons, and in the State of São Paulo with 97 mills, the average is slightly over 10,000 tons.

(3) There are 50,000 small- and medium-sized farms supplying one-half of the cane production of Brazil. There are approximately 70,000 workers in the mills, 250,000 sugarcane workers, and the total sugar operation directly involves about 1¼ million persons.

(4) Brazil has unlimited potential capacity for expansion and mill restrictions on production have been in effect for many years.

(5) Brazil is one of the few friendly countries in the Western Hemisphere that can respond with promptness to meet the U.S. demand for rapidly changing needs of sugar. This is significant in today's troubled world. In fact, Brazil can assure precisely the kind of protection and stability that Cuba formerly offered to make certain that the Sugar Act will operate properly and in an orderly fashion.

II. Balance of payments: Brazil has one of the most difficult balance-of-payment situations of any country in Latin America. This is because her principal export earners, coffee, cocoa, and sugar, have all been seriously depressed commodities in terms of price. It is the shortage of exchange that requires the Brazilian Government to limit imports. Conversely, it was the opportunity to earn the exchange that made possible the commitment by Brazil to offer to purchase for dollars over the next 5 years $250 million of additional U.S. wheat, committing the foreign exchange earned on sugar for that purpose.

III. The Brazilian sugar controlled system assures that no speculative profits will go to the sugar industry: The Sugar and Alcohol Institute of Brazil was established by the Federal Government in 1930 in order to assure the balance and orderly growth of sugar production. Sugar exports from Brazil are all handled by this Government agency which is comparable to the Canadian Wheat Board. Therefore, the sugar producers do not bear the losses from current exports at today's depressed world price levels. Neither do they participate in the net receipts from any U.S. sugar sales.

Exhibit I in the testimony before the House committee gives the translation of fund decree No. 156 of November 17, 1961, outlining the steps already taken by the Brazilian Government to establish a fund for the consolidation and development of economic and social programs for workers in the sugar and the sugar cane industry.

This decree has been further implemented to channel available net receipts to these purposes, particularly targeting the northeast problem area where 40 percent of the Brazilian sugar is produced.

The Government program is designed to meet—

(*a*) Immediate problems by means of an emergency plan;

(*b*) Medium-term problems by means of a 5-year plan;

(*c*) Long-term problems within the coordinated economic and social development plan of the Government.

IV. Alliance for Progress: In northern Brazil where 40 percent of the Brazilian sugar is produced, there are 25 million persons with average income levels among the lowest in Latin America and this is the great problem area of South America. Estimates are the income level is $100 per person in that area.

The steps already taken and the commitment of the Government to implement the Alliance for Progress program, particularly in this area, gives the United States complete assurance that benefits from the sugar sales to the United States will go to advance the social and economic improvement of workers and others in this area and, in fact, throughout Brazil.

V. Concern regarding expropriation: Many references have been made concerning the attempted expropriation of the telephone company in Brazil by action of the State of Rio Grande do Sul. Every action of the Republic of Brazil since that incident has been to safeguard the foreign investors in Brazil against a repitition of this auton-

omous State action. We submitted in our testimony in the House two press releases by the Brazilian Embassy on this point. The situation has been clarified further and, Mr. Chairman, I ask permission to incorporate in the record the following:

1. Letter published in the New York Times on Tuesday, June 19, 1962, in which the Brazilian Ambassador, Roberto de Oliveira Campos, clarified Brazil's position with reference to the expropriation.

2. An article in the U.S. Department of Commerce publication called International Commerce, June 18, 1962, page 49, commenting on recent action designed to reassure foreign investors against indiscriminate action by any local authorities in Brazil and regulatory measures adopted by Brazil to improve the investment climate and to protect private property.

3. Press release of June 6, 1962, issued by the Brazilian Embassy, entitled "Protection of Foreign Investments in Public Utilities."

4. News letter published in the Journal of Commerce, Thursday, June 21, 1962, which further clarifies the expropriation misunderstanding.

We will have inserted in the record at this point all of these documents.

(The documents referred to follow:)

EXHIBIT 1

NATIONALIZATION IN BRAZIL

AMBASSADOR EXPLAINS LAW SETTING FORTH METHOD OF COMPENSATION

To the EDITOR OF THE NEW YORK TIMES:

My attention has been called to a story in the Times of June 10, "Congress Acting in Foreign Aid as Expropriations Raise Its Ire."

This story, which deals with present efforts in Congress to safeguard the foreign investments of U.S. citizens against the threat of expropriation without fair compensation, makes direct reference to the decree recently issued by the Brazilian Government to regulate the nationalization of public utilities in Brazil and draws inferences which are not justified by the language or the intent of the decree.

The Times story states that "according to the Goulart plan, an expropriating nation would pay only 10 percent of the indemnity at the time of 'seizure'" and "most of the rest would be paid in installments out of profits." The article goes on to say "If there were no profits, there would be no further compensation" and "obviously it would be advantageous" or "profitable for the expropriating nation to see to it that the seized foreign busines was run thereafter as a nonprofit enterprise."

NOT LINKED TO PROFITS

The actual language in article 2, paragraph (b) of the decree provides for "payment of the deferred portion (after the 10-percent downpayment) in installments compatible wherever possible with the funds generated by the service itself and a minimum of additional public funds." Neither in the decree nor in the discussion which led up to it has it ever been suggested that the payment of compensation would be dependent upon the profits of the nationalized enterprise, and I can assure you that this is not the intent of the Brazilian Government.

Any suggestion or inference that my Government would deliberately see to it that there were no profits as a device for evading payment of fair compensation for a public utility enterprise it acquires is a gratuitous and unjustified reflection upon the integrity and good faith of Brazil.

As was pointed out in the press release of my Embassy on June 6, this decree is designed to protect foreign investments in Brazil and assure the owners of such investments that "in the nationalization of public utility companies, the constitutional guarantees of private property, both domestic and foreign, must be observed."

ROBERTO DE OLIVEIRA CAMPOS,
Brazilian Ambassador.

WASHINGTON, *June 12, 1962.*

EXHIBIT 2

BRAZIL DECREE REGULATES UTILITY EXPROPRIATIONS, SETS UP COMMISSION

U.S. INVESTORS' PROPOSALS PROVIDE BASIS FOR PRESIDENTIAL EDICT ESTABLISHING THREE-MAN BODY UNDER PRIME MINISTER

A three-member commission to regulate the expropriation of public utilities has been established by the Brazilian Government in a move to reassure foreign investors against indiscriminate action by local authorities.

According to the Brazilian Embassy in Washington, the decree is based on a proposal submitted by the largest American investors in Brazil, as well as on similar laws issued in the past by Mexico, Argentina, and Colombia.

The Council of Ministers recognizes the need for continued foreign participation in the formation of internal capital, so that the country may attain the levels of economic and social development demanded by population growth and the just aspirations of the Brazilian people.

The Government believes that at Brazil's present stage of development the national interest may be better served by direct Government operation of public services, except for municipal or limited regional services where private concessions may be justified.

In issuing the regulatory decree, Brazil seeks not only to improve the investment climate and protect private property, but also to regulate the burden of remittances in relation to the balance-of-payments situation.

Under the decree, the three presidentially appointed commission members are directly responsible to the Prime Minister. The commission will submit to the Council of Ministers a list of the services to be taken over and the priority of action, and will have the responsibility of negotiating settlements with the affected companies.

Indemnities will be determined by mutual agreement, when necessary, through expert evaluation or arbitration by a representative of the Government, a representative of the company, and experts appointed by joint agreement, or, in the case of disagreement, by the Prime Minister, with the approval of the Cabinet.

Initial payments toward indemnification for expropriated property will not be in excess of 10 percent of the total, with the remainder in deferred installments. Earnings of the utility itself must be used wherever possible as the source of funds to meet settlement terms, with as little additional public expenditure as possible.

Not less than 75 percent of the net amounts received by a company must be reinvested in Brazil in sectors or activities defined by the National Planning Commission as important for social and economic development. Such reinvestment may not be used to finance or participate in any Brazilian enterprise already in operation.

EXHIBIT 3

[Brazilian Embassy Press Release No. 48, Washington, D.C., June 6, 1962]

PROTECTION OF FOREIGN INVESTMENTS IN PUBLIC UTILITIES

With the purpose of protecting foreign investments in Brazil, the Brazilian Government issued a decree regulating expropriations in that country. It is based on a proposal submitted by the largest American investors in Brazil,

and in line with similar expropriation laws issued in the past by Mexico, Argentina, and Colombia. The new decree is also a result of mutual understanding on the subject arrived at high level during the visit of President Goulart to the United States last April.

Following is the text of the law:

"Whereas at the present stage of the country's development the national interests may be better served by direct operation of public services or utilities, except in regard to municipal services or to those having a limited regional scope, where private concessions are justified;

"Whereas in the nationalization of public utilities companies the constitutional principles of guarantee of private property, both domestc and foreign, must be observed;

"Whereas the Council of Ministers, in its plan of Government submitted to the Congress, recognized the necessity for the participation of foreign investments in the country as a supplement in the formation of internal capital, so that the country may attain and maintain the levels of economic and social development demanded by population growth and by the Brazilian people's just aspirations to social well-being;

"Whereas the nationalization of public utilities companies should not result in a reduction for foreign investments in the country, nor in the creation of a climate discouraging to new investments, nor constitute a source of substantial increase in the exchange burdens arising out of such investments;

"ART. 1. A Commission answering to the President of the Council of Ministers is hereby created, to be composed of three members appointed by the President of the Republic, such Commission to be charged with (a) submittal, for approval by the Council of Ministers, of a list of the services to be taken over for direct operation, indicating order of priority; (b) negotiation, with the representatives of the concessionary companies, of the conditions and procedure for refund or indemnization to the shareholders, and submittal to the Council of Ministers of the plan resulting from each such negotiation;

"ART. 2. The conditions governing refund or indemnization agreed upon with the concessionaries shall be subject to the following principles: (a) initial payment of a portion not to exceed 10 percent of the agreed total; (b) deferred payment of a portion in installments compatible whenever possible with resources accumulated by the self-same utility and with a minimum of additional public resources; (c) obligation assumed by the concessionaries to reinvest in the country, in sectors of activities defined by the National Planning Commission as enjoying priority for the social and economic development, of not less than 75 percent of the net amounts received as reimbursement or indemnization, such reinvestment not to be applied to the financing of, or participation in, any Brazilian enterprise already in operation:

"ART. 3. The assets and the amounts to be received by the concessionaries as payment or indemnization shall be estimated by mutual agreement and, when necessary, through expert evaluation and/or arbitration by a representative of the Government and a representative of the concessionary, and expires appointed by joint agreement, or, in case of disagreement, by the President of the Council of Ministers, with the approval of the Cabinet;

"ART. 4. The present decree becomes effective on the date of its publication, all provisions to the contrary being hereby revoked."

EXHIBIT 4

[From the Journal of Commerce, June 21, 1962]

NEWSLETTER—WORLD TRADE

EXPROPRIATION CURBS POSING HEADACHE

WASHINGTON.—The pellmell rush of Congress to protect American investment overseas from highhanded expropriation promises to bring on a number of king-size headaches for the administration.

In fact the question of the alleged conflict between property rights of U.S. investors abroad and sovereign rights of their host governments is getting so balled up in current legislation that the administration would be smart to step in now and get the whole situation explained.

It would avoid a lot of ill will between this country and the underdeveloped nations which we are so ardently wooing. These nations are sensitive to eruptions in the U.S. Congress about the sanctity of U.S. foreign investments, so sensitive that they often lose sight of the fact that such outbursts do not necessarily represent the viewpoint of the U.S. Government.

BRAZIL MOVE IMPACT

It so happens the rash of antiexpropriation sentiment on Capitol Hill is inspired by the difficulties of International Telephone & Telegraph in Brazil. The seizure of one of its subsidiaries by a state government there earlier this year created a major crisis in United States-Brazilian relations.

The fact that this dispute now is being negotiated—since the Federal authorities in Brazil stepped in to block the takeover by the state government—is forgotten or overlooked by the U.S. Senate. It just voted an amendment to the foreign aid program to deny assistance to any nation "expropriating" U.S.-owned property.

SUFFERED LAPSE

The House this week suffered a similar lapse when it passed the sugar bill. It gave Brazil a temporary annual sugar quota in the U.S. market of 150,000 tons, something the Brazilians dearly wanted. But the legislation also threatened, without naming Brazil, to suspend the quota of any nation which "unlawfully expropriates" or discriminates against U.S.-owned property.

To keep this sort of thing from getting out of hand, President Kennedy should publicly express his approval of the type of amicable expropriation settlement worked out recently between Mexico and American & Foreign Power. This should also prove helpful in assuring ITT prompt, adequate, and just compensation for ITT expropriated facilities in Brazil.

CHANCE MISSED

Mr. Kennedy missed a chance to do this when Brazilian President Goulart was here in the spring. While he is understood to have approved the Goulart expropriation plan, the official communique said only that he had expressed interest in it.

Some will say that to have Mr. Kennedy take such a position would encourage underdeveloped nations wherever to expropriate everything in sight. This risk, however, seems far outweighed by the long-term advantages of having the U.S. position clearly on the record.

J. F. K.

Mr. NEMIR. We deem it unfair to penalize the Federal Government of Brazil for action by a single state governor, which the Federal Government had no hand in. When the press asked President Kennedy if he would stop the Alliance for Progress funds to Brazil because of the telephone takover in Rio Grande Do Sul, he replied that there would be no slowup because the Federal Government of Brazil should not be held responsible for the action of state governors.

The tradition of friendship between the United States and Brazil is long and unbroken. If there is to be any real progress in Western Hemisphere relationships and development, the continued cooperation and friendship of these two great nations—the largest in the Western Hemisphere—must be maintained and strengthened.

A test of friendship is a nation's willingness to stand beside her friends in times of crisis. The 200,000 Brazilian troops represented over 50 percent of all Latin American forces in World War II battlefields, and is stark evidence of the comradeship between these two great friends.

VI. Brazil is a large and expanding market for American exports: Currently, Brazil is the largest importer of U.S. agricultural products in Latin America. Brazil's purchases of $112.2 million of U.S. agri-

cultural commodities in 1961 exceeded the combined purchase of U.S. agricultural commodities of those countries in Latin America who are basic sugar quota holders. Brazil is the largest user of wheat in Latin America—Brazil purchases 63,601,000 bushels yearly—or 59.6 percent of total wheat imports into Latin America (average 5-year period 1957–61).

The Brazilian Government has formally presented by diplomatic note on May 25, 1962, a program whereby she would purchase for dollars additional wheat from the United States to increase her level of wheat consumption by 100 percent within the next 5 years, provided she could sell to the U.S. market 750,000 tons of sugar annually over a 5-year period.

This would give the United States a total during 5 years of more than $250 million in new dollar business; save the outflow of U.S. dollars; benefit Kansas, North Dakota, South Dakota, Nebraska, Oklahoma, Texas, Montana, and all other wheat-producing States by providing a wheat market for the production from more than 3 million acres of wheatland per year, and it would greatly assist the U.S. Treasury.

We appreciate the consideration given to Brazil in H.R. 12154. We were hopeful that a greater quantity of sugar would be allocated to the Western Hemisphere—especially Brazil—as a means of quickly expanding the sale of additional U.S. commodities.

Although Brazil is the only country which has adopted a formal program to use receipts from sugar sales to the United States for the purchase of additional U.S. agricultural products, the opportunity is available to other countries. The implementation of Brazil's program would be in keeping with the intent as clearly stated in the House committee report on H.R. 12154, and also with the statements made on the House floor by Congressman Poage and others as they appear in the Congressional Record (vol. 108, No. 99, pp. 10028–10030, June 18, 1962).

We respectfully submit our statement and supplemental material including Brazil's proposal for the committee's consideration. We hope the committee will give special recognition, in the form of additional sugar allocations, to Brazil's farsighted proposal to use 67 to 70 percent of her receipts from sugar sales to the U.S. market for purchasing additional U.S. wheat—over and above her traditional supplies. Such a program will improve diets and raise the living standards of her people by increasing their wheat consumption 100 percent within the next 5 years.

(The supplemental material and exhibits referred to follow:)

LIST OF EXHIBITS

I. Translation of fund decree No. 156, November 17, 1961, of the Sugar and Alcohol Institute which outlines the steps taken to establish a fund for the consolidation and development of economic and social programs for workers in the sugar and sugarcane industry.

II. Map showing the production of sugar in the principal States of Brazil.

III. Map showing northeast Brazil, a poverty ridden but important sugar-producing area. This northern sector now under Brazil's development program operation SUDENE, as well as principal concern of Alliance for Progress.

IV. Map graphically showing location of mills, sugar exports and exports by the principal ports of Brazil. This map shows theoretical monthly loading capacity: Recife, 120,000 tons; Maceio, 52,000 tons; Santos, 90,000 tons.

V. Chart, Brazil: Largest importer of U.S. agricultural commodities in Latin America in 1961.

VI. Chart, Brazil: Largest importer of U.S. wheat among Western Hemisphere countries receiving nonquota sugar allocation in 1961.

VII. Chart: Brazil alone imports more wheat than the balance of the Western Hemisphere countries combined.

VIII. Chart: Comparing Brazil's wheat consumption with other nations demonstrating the reasonableness of the target expanding wheat consumption in Brazil during next 5 years.

IX. Summary charts: Showing Brazil's position as a wheat importer among certain Western Hemisphere countries.

X. Table: Projection of foreign supplies available to the United States on various price assumptions to 1970 as reported by the Special Study Group on Sugar of the U.S. Department of Agriculture, prepared at the request of the House Committee on Agriculture.

EXHIBIT I

Decree No. 156
November 17, 1961

TRANSLATION OF FUND DECREE

(Establishes in the Sugar and Alcohol Institute a Fund for Consolidation and Development of the Sugar Cane and Sugar Industry and Sets Forth Other Provisions)

Article 1. The "Fund for Consolidation and Development of the Sugar Cane Sugar Industry" is hereby created in the Sugar and Alcohol Institute, and will be administered by that Institute.

Article 2. The Fund will be composed of—

(a) the net receipts of the contribution of Cr$50,00 per bag of sugar, as per Resolution A 1588 as of September 21, 1961, of the Executive Commission of the Sugar and Alcohol Institute, or of contributions set for this purpose in the annual plans for defense and balance of the cane harvest according to Articles 148 and 149 of Decree-Law N 3855, of November 21, 1941;

(b) the net receipt from sugar export operations during 1961 under the provisions of Decree A 51104 of August 1st, 1961;

(c) the balances resulting from the differences between official sugar prices, plus export expenses and the value of general sugar exports;

(d) other resources resulting from transfers, appropriations, or donations from public or private sources of any kind, as well as balances of specific funds which may be transferred or incorporated by decision of the Executive Commission of the Sugar and Alcohol Institute to meet the purposes of the Fund.

Article 3. The resources of the Fund will be used for the following purposes:

(a) to finance or serve as guarantee of financing contracts for sugar to be exported, in order to assure coverage of possible differences between official prices in the internal market and the export sale price;

(b) to guarantee financing from internal and external sources, within legal requirements, to finance or carry the cost of the execution of a program for consolidation and development of the sugar cane and sugar industry and the circulation and marketing of production, as well as the training of technical personnel;

(c) to carry out a social assistance program for workers; in the sugar cane and sugar industry, including, among others, the following points:

1. food and clothing at cost through cooperatives, canteens or other entities;

2. free primary and professional education;

3. hygiene and health through medical assistance and hospitalization;

4. adequate housing;

(d) to promote programs of economic, agricultural and industrial research.

Article 4. The preparation of programs referred to in letters (b), (c), and (d) of the previous Article shall meet—

(a) immediate problems, by means of an emergency plan;

(b) medium-term problems by means of a five-year plan;

(c) long-term problems within the coordinated economic and social development plan of the Government.

Paragraph One: The emergency plan referred to in this Article shall give priority consideration to, among other aspects, the financial and technical situation of the mills;

Paragraph Two: The Sugar and Alcohol Institute is authorized to contract technical and professional services of specialists and public and private entities, as needed for the preparation of the above-mentioned programs.

Article 5. The programming, as part of the Government's general plan for economic and social development, shall meet the goals of the sugar cane and sugar industry according to priorities intended to correct regional economic unbalances, especially in the Northeast.

Paragraph One: Once the cited program has been prepared, it will be submitted to the Executive Commission of the IAA, for its approval, and subsequent concurrence by the Ministry of Industry and Commerce.

Paragraph Two: Plans and projects elaborated in accordance with the provisions of Articles 4 and 5 will also be submitted to the Executive Commission for approval.

Article 6. In each five-year period, a minimum of 20 percent of the Fund's net resources shall be applied, directly or through agreements with legally constituted entities (public or private) in the execution of the social assistance program for workers of the sugarcane and sugar industry as mentioned in Article 3. item (c), together with specific budgetary resources.

Article 7. The budget for investment of the receipts of the Fund as formed in each harvest, and within the provisions of Article 3 of this decree, shall be allotted as follows:

(a) Up to 80 percent of the Fund's financial resources may be used to guarantee the execution of export financing contracts (Article 3, letter (a));

(b) The balance of the resources will be used for the programs referred to in letters (b) and (d) of Article 3, but only after at least 20 percent, according to provisions of Article 6, has been set aside for use in the social assistance program for workers of the sugar cane and sugar industry (article 3, letter (c)).

Article 8. At the end of the agricultural year and at the time the production plan for the next crop is prepared, a balance sheet of the disposable resources remaining for investment in the subsequent period should be prepared, including the estimated revenue to be received, in order to orient the distribution of the total resources, according to provisions of the previous Article.

Article 9. The balance sheet referred to in the previous Article and the budget for operation of the program which is to be prepared periodically in accordance with Article 4, as well as the accounts of the Fund, will be submitted for approval to the Executive Commission of the IAA, as permitted by its legal attributes, the budget being designed to permit adaptation to the program.

Article 10. The balance sheet of the Fund will be submitted annually to the Executive Commission of the IAA for examination and approval, and later transmittal to the Federal Court of Accounts (Tribunal de Contas).

Article 11. Within 60 days the Executive Commission of the IAA will submit regulations for this decree to the Minister of Industry and Commerce for approval.

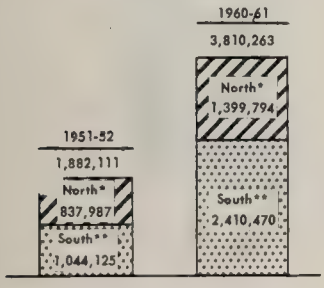
Article 12. Decree N–51104 and 51148 of August 1 and 5, 1961, respectively, as well as any other provisions to the contrary, are hereby revoked.

Article 13. This decree shall become effective on the date of its publication.

SUGAR PRODUCTION, PRINCIPAL STATES OF BRAZIL
1960-1961
3,810,263 Short Tons, Raw Value



PRODUCTION GROWTH
Short Tons, Raw Value

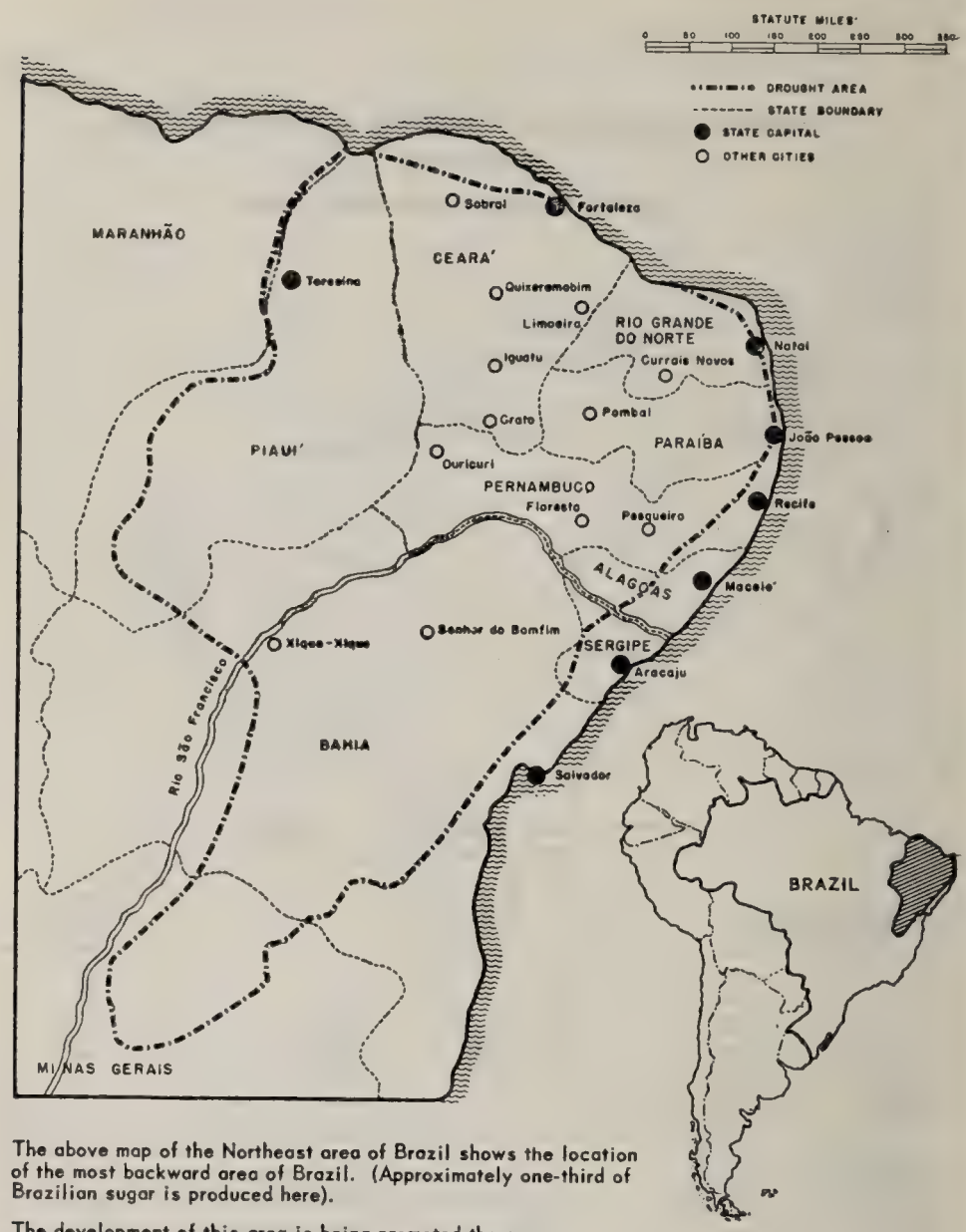


*Production From September to April.
**Production From June to December.

PRODUCTION 1960-1961

	Short Tons (Raw Value) Thousands	Percent of Total
ALL BRAZIL	3,810	100.0
NORTH*	1,399	36.7
Rio Grande do Norte	19	.5
Paraíba	45	1.2
Pernambuco	886	23.3
Alagoas	314	8.2
Sergipe	55	1.4
Bahia	74	2.0
Others	3	.1
SOUTH**	2,410	63.3
Minas Gerais	140	3.7
Espírito Santo	14	.4
Rio de Janeiro	470	12.3
São Paulo	1,680	44.1
Paraná	85	2.2
Santa Catarina	16	.5
Others	3	.1

Northeast Brazil Drought Area



The above map of the Northeast area of Brazil shows the location of the most backward area of Brazil. (Approximately one-third of Brazilian sugar is produced here).

The development of this area is being promoted three ways:

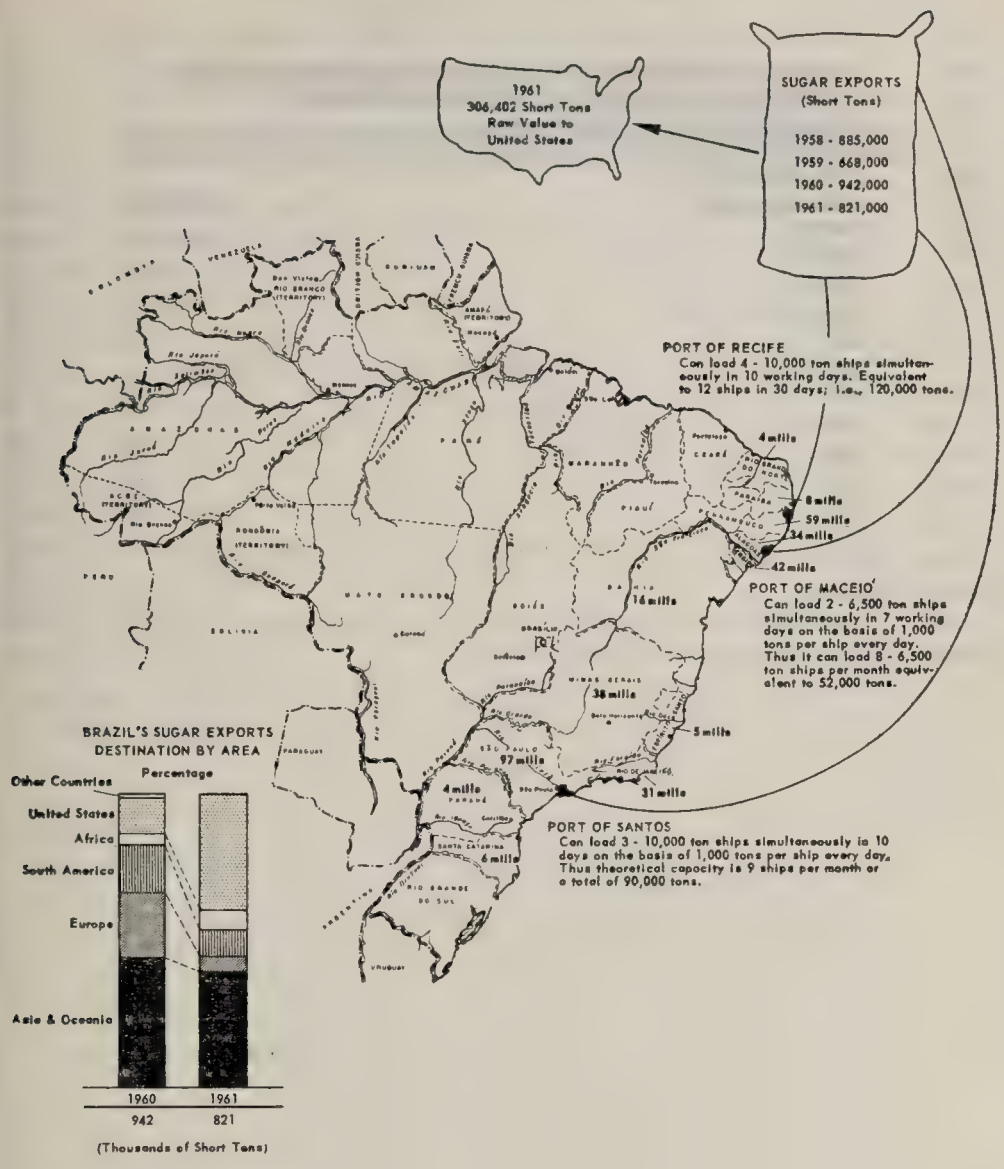
1. With the support of the United States AID Agency,
2. Through Brazil's self-help efforts contained in the SUDENE* Program supported by President Kennedy,
3. Brazil's self-help through the sugar fund resources:
   (a) A tax of Cr.$ 50 per bag for sugar
   (b) A skimming of the premium on U.S. sugar exports

*SUDENE - Superintendency for the Development of the Northeast (Superintendencia do Desenvolvimento do Nordeste), was established by Congressional action in December 1959.

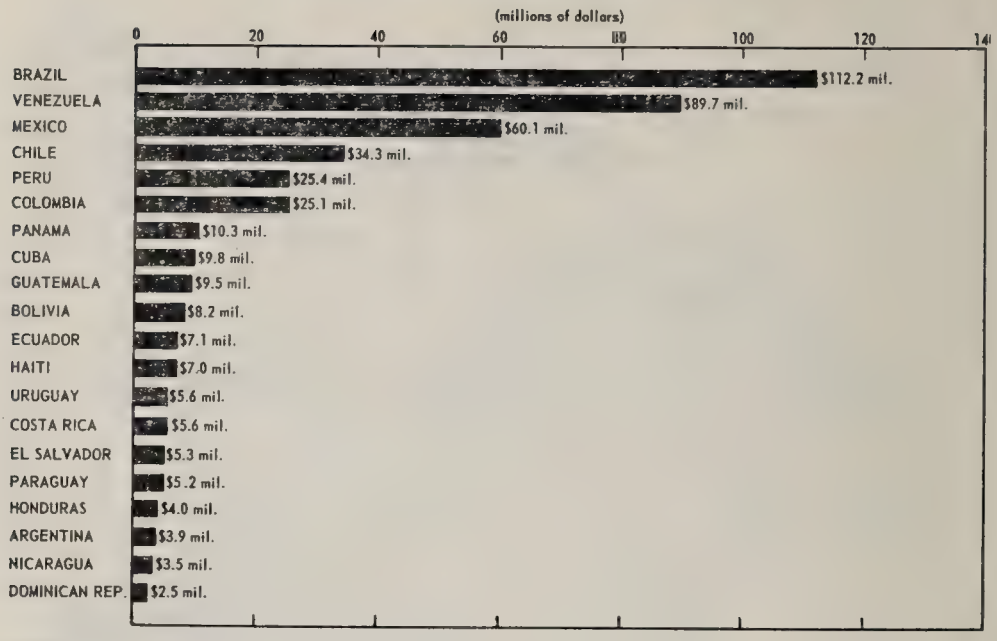
In May 1961, Brazil's President pledged substantial government aid to the Northeast. This agency was granted not less than 2% of the tax revenues of the Federal Government as well as supervisory powers over the expenditure of government agencies operated in the Northeast.

The SUDENE program covers about one-third of the Population of Brazil.

SUGAR MILLS LOCATION IN BRAZIL
368 Mills - Export by Area 1958-1961

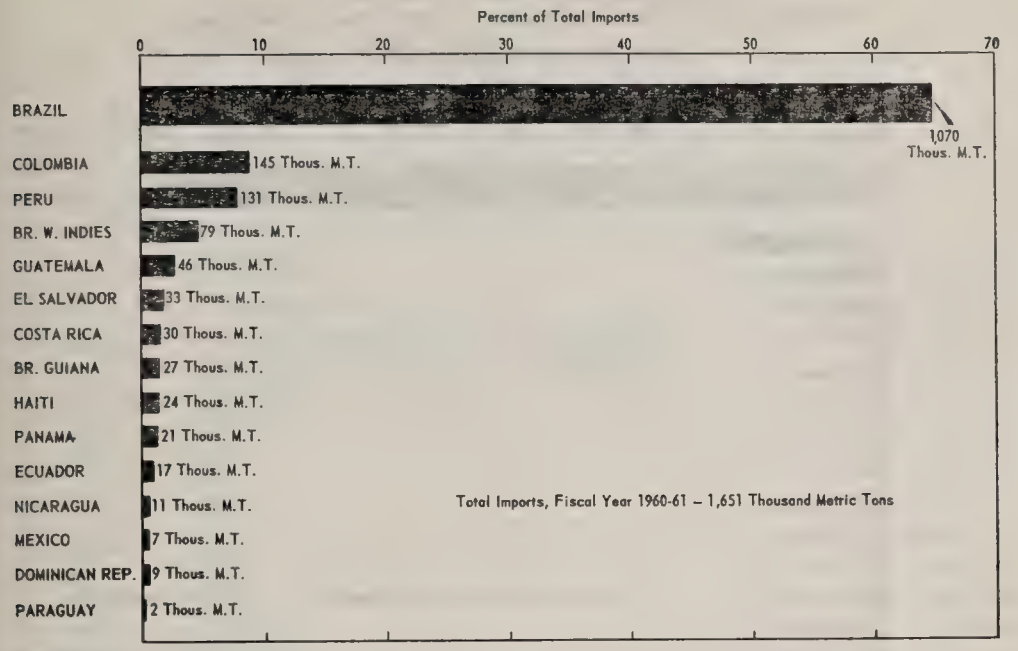


Brazil was the Largest Importer of United States Agricultural Commodities in Latin America—in 1961



SOURCE: Foreign Crops and Markets, U.S.D.A. March 5, 1962 - page 22.

Brazil is the Largest Importer of U.S. Wheat* Among the Western Hemisphere Countries Receiving Non-Quota Sugar Allocations in 1961

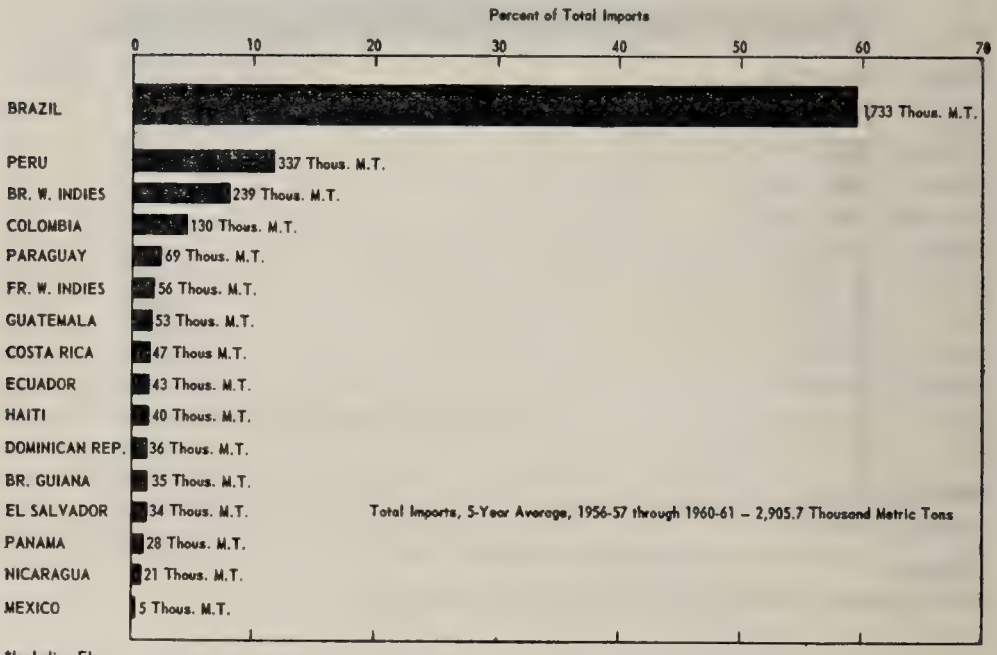


*Including Flour

SOURCE: U.S. Department of Agricultural Service Reports M-53 and Foreign Crops and Markets.

Brazil Alone Imports More Wheat Than the Balance of the Western Hemisphere Countries Below Combined

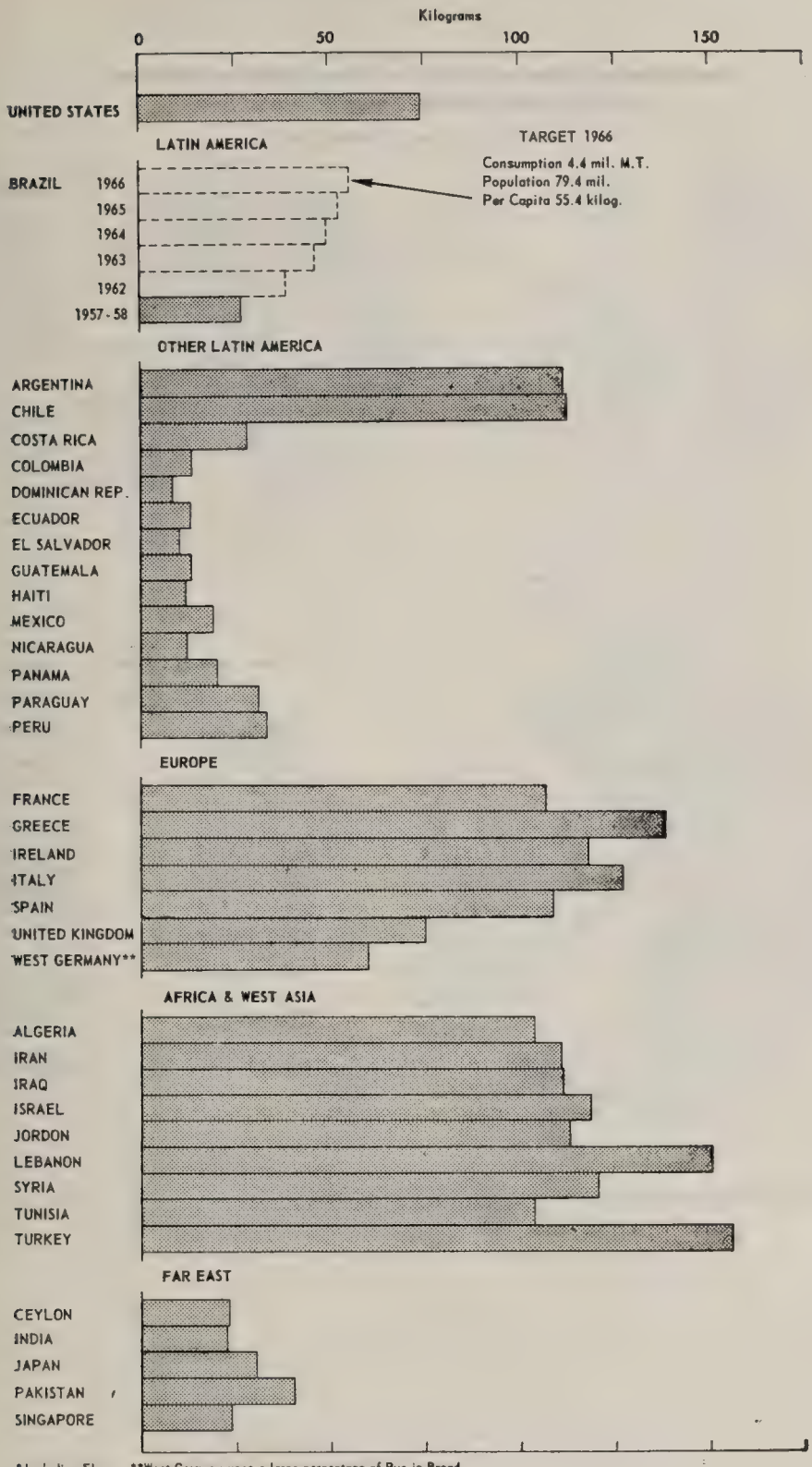
IMPORTS OF WHEAT FROM ALL COUNTRIES*



*Including Flour

SOURCE: U.S. Department of Agriculture, Foreign Agricultural Service Reports M-53 and Foreign Crops and Markets.

Wheat*—Per Capita Consumption 1957-58



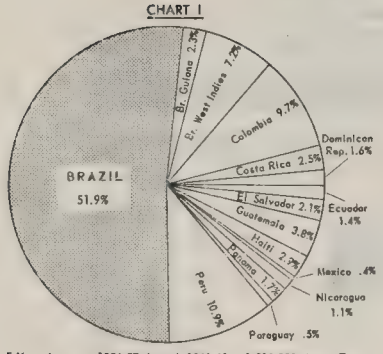
*Including Flour **West Germany uses a large percentage of Rye in Bread.

SOURCE: Foreign Agricultural Service, U.S. Department of Agriculture

Brazil is the Largest Importer of U.S. Wheat Among the Western Hemisphere Countries Receiving Non-Quota Sugar Allocations in 1961

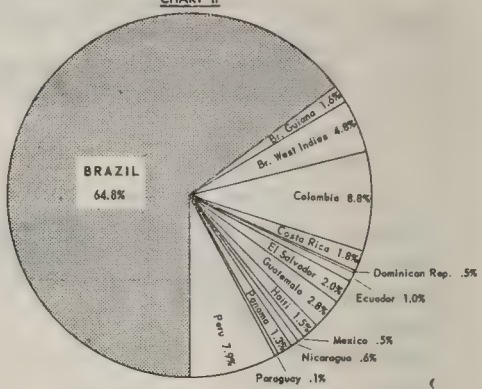
IMPORTS OF WHEAT FROM THE UNITED STATES*

CHART I



5-Year Average, 1956-57 through 1960-61 – 1,218,000 Metric Tons

CHART II

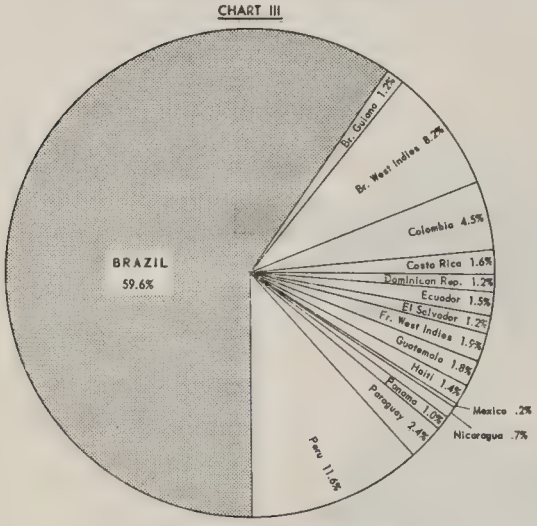


Fiscal Year 1960-61 – 1,651,000 Metric Tons

Brazil alone imports more wheat than the balance of the Western Hemisphere countries below combined.

IMPORTS OF WHEAT FROM ALL COUNTRIES*

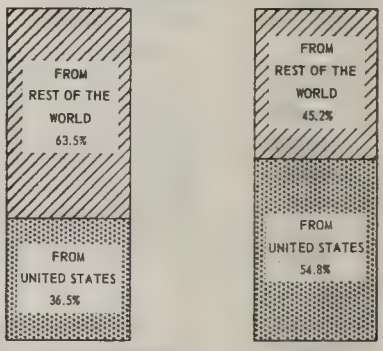
CHART III



5-Year Average, 1956-57 through 1960-61 – 2,905,700 Metric Tons

BRAZILIAN IMPORTS OF WHEAT-ALL SOURCES*

CHART IV



5-Year Average, 1956-57 - 1960-61
1,733,000 Metric Tons

1960-61
1,950,000 Metric Tons

*Including Flour

SOURCE: U.S. Department of Agriculture, Foreign Agricultural Service Reports M-53 and Foreign Crops and Markets

EXHIBIT X

TABLE 7.—*Centrifugal sugar: Projections of foreign supplies available to the United States, under various price assumptions, 1970* [1] [2]

[1,000 short tons, raw value]

Country	A (25 percent lower)	B (no change)	C (25 percent higher)
U.S. quota holders: [3]			
Costa Rica	30	40	45
Dominican Republic	500	600	700
Haiti	10	30	35
Mexico	600	700	900
Nicaragua	35	55	65
Panama	10	15	20
Peru	300	350	450
Philippines	1,000	1,500	1,600
Taiwan	350	450	550
Total, U.S. quota holders	2,835	3,740	4,365
Central and South America:			
Argentina	110	250	325
Brazil	1,500	1,900	2,300
Colombia	0	15	20
Ecuador	50	60	70
El Salvador	6	18	20
Guatemala	15	25	30
Paraguay	10	20	25
Total, Central and South America	1,691	2,288	2,790
Commonwealth:			
Australia	500	700	1,000
Fiji	100	200	300
British Guiana	150	200	250
British Honduras	20	30	35
Federation of West Indies	225	300	400
India	100	200	300
Mauritius	175	200	225
Union of South Africa	225	325	425
Total, Commonwealth	1,495	2,155	2,935
West Europe:			
Belgium	15	50	75
Denmark	35	60	70
France and territories	75	200	300
Germany, West	65	75	100
Ireland	10	10	15
Italy	0	0	75
Netherlands	35	60	70
Total, West Europe	235	455	705
Other:			
Indonesia	0	0	100
Turkey	50	100	125
Total, other	50	100	225
Grand Total	6,306	8,738	11,020

[1] Projections of foreign supplies available to United States are based on specific assumptions. See text p. — for statement of assumptions.

[2] Price assumptions relate to U.S. import prices in relation to 1959 levels.

[3] Excludes United Kingdom, Canada, and Hong Kong. British Guiana, Belgium, and the Netherlands, which also have small U.S. quotas, are shown in other groupings.

Source: Sugar and Tropical Products Branch, FAS, USDA, Dec. 15, 1960.

SUPPLEMENTAL INFORMATION TO CONFIRM THE STATEMENT OF ALBERT S. NEMIR ON BEHALF OF THE BRAZILIAN SUGAR ALCOHOL INSTITUTE, OF THE BRAZILIAN GOVERNMENT'S WILLINGNESS TO COMMIT THE PROCEEDS OF SUGAR FOR WHEAT UNDER A 5-YEAR PROGRAM, AS REFERRED TO IN THE STATEMENT OF ALBERT S. NEMIR BEFORE THE COMMITTEE ON AGRICULTURE HEARINGS ON H.R. 11730

(A true copy of the official confirmation of Brazil's commitment as transmitted to the Department of State on May 25, 1962, is reproduced below.)

No. 197/842.6(42) (22)

The Brazilian Embassy presents its compliments to the Department of State and has the honor of submitting the following:

2. During the past two years studies have been made both in the United States and in Brazil regarding the possibilities and the advisability of expanding the consumption of wheat in Brazil and of expanding exports of sugar from Brazil to the United States.

3. In December 1961, during the discussions held by the President of the Sugar and Alcohol Institute of Brazil, Ambassador Barbosa da Silva, with officials of the Departments of State, Agriculture, and the Treasury and the "Food for Peace" and AID agencies, a number of possible formulas were examined and, subsequently, a letter from the Brazilian Ambassador in Washington was sent, January 3, 1962, to officials of the above-mentioned sectors of the U.S. Government, summarizing Brazilian views with an attached memorandum outlining proposals for the first semester of 1962 and for the long-range period.

4. On February 12, 1962, the Department of Agriculture announced that "some importation of sugar would be authorized from countries agreeing to purchase additional U.S. agricultural commodities" (USDA 552–62) and on March 12, 1962, the Embassy submitted, in its note No. 82, a proposal for the sale, in the first semester of 1962, of up to 300,000 metric tons of sugar against purchases of wheat, the total FOB value of which would be the total FOB value of sugar authorized for import. On April 19, 1962, an Agricultural Trade Agreement was signed, providing for the importation by the U.S. of 50,000 short tons of Brazilian sugar and the purchase by Brazil of 85,000 metric tons of wheat from the United States.

5. In the meantime, during President Goulart's recent visit to Washington, a request for the negotiation of a long-term agreement for the supply of U.S. P.L. 480 wheat to Brazil was examined at the highest levels with United States officials and was favorably received by President Kennedy. Similarly, on that occasion, Brazilian expectations regarding access to the U.S. sugar-importing market were emphasized.

6. In line with the action mentioned in the above paragraphs and having in mind the relatively close date of expiration of the "Sugar Act of 1948, as amended" discussions were engaged in between representatives of Brazilian sugar interests and United States wheatgrowers which resulted in an agreeable formula for relating purchases of U.S. wheat by Brazil to sales of Brazilian sugar to the U.S. consistent with the export and supply management objectives of U.S. and Brazil wheat and sugar interests. A copy of the memorandum of understanding outlining such a formula is attached.

7. The memorandum indicates the basis for a five-year program of parallel transactions in U.S. wheat and Brazilian sugar, setting up a target for purchases of U.S. wheat by Brazil during 1962/1966 at 11,380,000 metric tons (assuming consumption increases at the rate of 10 percent per year) and a target for sales of Brazilian sugar to the U.S. at 776,000 short tons per year during the same period.

8. As indicated in paragraph 6 of the formula outlined in page 8 of the attached memorandum, its provisions were to be submitted to the concerned agencies of the Brazilian Government. The program has been approved in principle and the Embassy has been instructed to notify the proper agencies of the U.S. Government of the Brazilian Government willingness to negotiate a five-year agreement to purchase wheat from the United States along the lines of the above-mentioned formula, under the assumption that the system of quotas by countries now prevailing in the "Sugar Act" may be preserved and that Brazil be granted a substantial basic quota.

9. It is understood that the five-year program would have to be readjusted to the extent that (a) the amount, nature, or duration of the sugar quotas attributed to Brazil differ substantially from what is envisaged in the program; (b) changes in P.L. 480 or the availability of wheat to Brazil under the different

titles of that law make it incompatible with the implementation of the program; (c) the actual experience in Brazil regarding the rate of increase in wheat consumption under conditions of free availability does not correspond to the targets of the program. (By free availability what is meant is the suspension of restrictions to imports but no undertaking to artificially stimulate consumption.)

10. In the event that Brazil is not granted a quota in the amount envisaged in the program, Brazil would still be willing to earmark a part of the proceeds of the sales of sugar to the purchase of U.S. wheat in order to implement a program.

11. It is to be hoped, however, that the amount of the sugar exports to the United States will be of a level compatible with the large-scale scope of a mutually beneficial program, and it is felt that adequate implementation will be achieved if the U.S. prefers to establish the Brazilian basic quota in an amount in excess of, or in the order of, 300 or 400 thousand short tons.

12. The purpose of the program is to provide the means of permitting Brazil to gradually come to an adequate level of consumption of wheat by expanding imports from the U.S. over and above present levels without interfering with the present or projected pattern of purchases from other sources and, at the same time, preserving a margin for the development of domestic production.

WASHINGTON, *May 25, 1962.*

Mr. NEMIR. Thank you for this opportunity to be heard.

Senator DOUGLAS. Thank you, Mr. Nemir.

May I ask if the expropriation without compensation of the I.T. & T. property in Rio de Sol is the only instance of expropriation by a Brazilian state of American property?

Mr. NEMIR. Senator Douglas, I think you said expropriation without compensation. Actually, this problem that we have had in the House and here—the first action of the Federal Government was to take this action out of State hands and see that it was handled properly, and that compensation was given in accordance with the laws of Brazil. That was the action taken, which we documented in our testimony before the House.

Senator DOUGLAS. Has I.T. & T. received compensation?

Mr. NEMIR. They will receive compensation, yes, sir.

Senator DOUGLAS. Fixed by whom?

Mr. NEMIR. Well, by negotiation with the Federal Brazilian Government.

Senator DOUGLAS. Of Brazil?

Mr. NEMIR. Yes, sir.

Senator DOUGLAS. Have there been any other instances of expropriation or nationalization of American property?

Mr. NEMIR. Not others—but others provided for.

This is what I filed all these reports about.

Senator DOUGLAS. What are the other instances besides the telephone property?

Mr. NEMIR. Well, the one that received—the most recent one, that is the basis of this press release, which is a decree that Brazil recently passed which was at the request of an American power company who had gone to Brazil and wanted a basis for selling—model after what they had done in other countries—Colombia, Mexico, Argentina. I would read this here. It won't take but a moment.

With the purpose of protecting foreign investments in Brazil, the Brazilian Government issued a decree regulating expropriations in that country. It is based on a proposal submitted by the largest American investors in Brazil——

Senator DOUGLAS. What is this largest American company?

Mr. NEMIR. American Power. We have in our testimony before the House. It is the American Power Co.

I will just finish this first paragraph.

It is based on a proposal submitted by the largest American investors in Brazil and in line with similar expropriation issued in the past by Mexico, Argentina, and Colombia. The new decree is also a result of mutual understanding on the subject arrived at high level during the visit of President Goulart to the United States last April.

Senator DOUGLAS. Well, I am still not clear. What other industries have been taken over by the Brazilian Government or by the states?

Mr. NEMIR. I do not believe there are any. I think the I.T. & T. is the case.

Senator DOUGLAS. I see.

Now, would you be agreeable to an amendment of the Cooley bill to say that the quota will be granted provided the compensation is submitted to an international court?

Mr. NEMIR. Yes, sir, we have no problem with that amendment.

Senator DOUGLAS. You would be willing to have the case adjudicated by an international tribunal?

Mr. NEMIR. If that is what it provides, and it is fair to all countries and no discrimination involved, yes, sir, we will agree to it.

Senator DOUGLAS. Are you speaking for the Brazilian Government in this connection, or simply for the Sugar and Alcohol Institute?

Mr. NEMIR. No, sir—I guess I am not speaking for the Brazilian Government. I am speaking for the Sugar and Alcohol Institute—which is an entity of the Government.

Senator DOUGLAS. Mr. Nemir, Brazil has not previously had a quota.

Mr. NEMIR. No, sir, it has not.

Senator DOUGLAS. The Cooley bill gives it a permanent quota of 190,000 tons a year, a temporary quota of 150,000 tons, or a total of 340,000 tons. This differential over the world price is $56 a ton. The value of the subsidy over the world price annually is $19 million, and over 5 years is equal to $95 million.

You want to have this increased to 750,000 tons a year, which will be a subsidy of approximately $44 million a year, or $220 million over the 5 years.

Now, aren't you asking quite a lot?

Mr. NEMIR. Senator Douglas, I think the Brazilian proposal eliminates the question of subsidy, because we are giving back what we are getting. And when you consider the cost of carrying the wheat and in terms of losses, interest, all, I think it is practically dollar for dollar.

Senator DOUGLAS. You would sell your sugar at American prices, isn't that true?

Mr. NEMIR. Yes, sir. And we would buy the wheat for the world price.

Senator DOUGLAS. The world price of wheat is less than the American price.

Mr. NEMIR. That is quite true.

Senator DOUGLAS. So you would be selling at an inflated American price and buying at a deflated world price.

Mr. NEMIR. We will buy at the world price.

Senator DOUGLAS. Then why not sell at the world price?

Mr. NEMIR. Well, that question is another question.

Senator DOUGLAS. Well, I think it is an integral part of the question. Here you want to buy and simply pay the world price, which is less than the American price. But you want to sell at the American price which is higher than the world price.

Now, to use the old illustration, if it is salt for the goose, then why not for the gander? If you want to buy at a world price, why not sell at a world price?

Mr. NEMIR. Well——

Senator DOUGLAS. Or do you think Uncle Sam is someone that can always be taken, and that Members of Congress and of the administrative agencies are either softhearted or softheaded, one or the other?

Mr. NEMIR. Well, Senator Douglas, I have a little bit different reasoning for this sugar—the reason for the price. If you permit me—I know the time is short.

Senator DOUGLAS. No, I'm going to stay here until you finish.

Mr. NEMIR. I would like to make just a personal statement, then, if I may.

I feel that this is a rather risky time for the United States to assume a surplus will exist under world prices. And I think it is the obligation ofthe Congress to insure that in this particular period that the incentives are not only sufficient all the way around—because I happen not to share the view that there is a surplus. There has been in the last year or so——

Senator DOUGLAS. The international sugar statistics indicate a total surplus of around 10 million tons.

Mr. NEMIR. Sir, if I may comment on that—I think I should, because that is the basis of my thinking.

Senator DOUGLAS. You deny the international sugar figures?

Mr. NEMIR. I am familiar with them, Senator Douglas. Of course, these are my personal views. My views are that when we cut off Cuba we had quite a bit of luck in terms of stocks. The world production in Europe was a good one, an excellent one. We had 3 million tons additional production. We had 6½ million tons in Cuba. This year Europe is 3 million down, 2 million down in Cuba. That is a shift of 5 million. Every year the world consumption goes up about 2 million tons. So that is a shift of 9 million tons in 2 years. So I think the situation has changed. I would be a little bit afraid of a 5-year program if you did not have incentives.

Senator DOUGLAS. In our hearings, country after country has come in and said they have a surplus. I have not struck a single country that said they were in short supply. Are they telling fibs or what?

Mr. NEMIR. Well, I think I should also say, if you permit me—I know it is late—that the sugar world today has been living dangerously in terms of stocks, and that because of this surplus feeling. Once the feeling of surplus is removed, a change of idea of stocks to be carried can cause real trouble in sugar.

Now, I for one feel we should not be without incentives in this particular period, when the Communists have so much control of sugar—that the United States should have its ideas of how it is going to get its sugar through this next few years.

Senator DOUGLAS. Now, Mr. Nemir, I have to ask you an unpleasant question; namely, what are your fees?

Mr. NEMIR. The fee for the firm is $25,000 a year.

Senator DOUGLAS. Is there a side agreement?

Mr. NEMIR. No, no side agreement. As a matter of fact, I am new at this lobbying business. We registered in March, I think—March or April—and the fee is to take care of all expenses. It is our judgment of a budget.

Senator DOUGLAS. Don't you get something in addition?

Mr. NEMIR. We will get a small fraction; yes, sir.

Senator DOUGLAS. What is the small fraction?

Mr. NEMIR. Well, it is taxes, less a quarter of a percent—it is about—it figures about an eighth—with a limitation—it has a ceiling—plus some fractional, one-eighth—it works out about one-eighth to one-fourth, after you take off taxes.

Senator DOUGLAS. One-eighth of one-fourth of what?

Mr. NEMIR. Of the tonnage.

Senator DOUGLAS. Well, now—tonnage will be $110 a ton, roughly.

Mr. NEMIR. No—one quarter of 1 percent of——

Senator DOUGLAS. 1 percent of that will be $1.10 a ton. Now, what is your percentage?

Mr. NEMIR. Well, the fee—excuse me, sir. The fee is against that. First there is a percentage of setup fee, and then the minimum is $25,000. That counts against that.

Senator DOUGLAS. This is a minimum of $25,000 a year, plus what?

Mr. NEMIR. Plus whatever fraction of a percent is of the tonnage over $25,000, with a limitation not yet decided, and we have a tax problem—there is a tax in Brazil on this. I'm sorry, sir, but that's the way it is. I have not settled it myself.

Senator DOUGLAS. Just a moment. First let's get this percentage. What is the percentage?

Mr. NEMIR. One-quarter.

Senator DOUGLAS. One-quarter of 1 percent?

Mr. NEMIR. Less 30 percent, less probably another 10 percent.

Senator DOUGLAS. Let's get the quarter of the percent. One-quarter of a percent of what? Of the price per ton?

Mr. NEMIR. Of the value per ton of sugar in Brazil.

Senator DOUGLAS. The value per ton——

Mr. NEMIR. This is a Brazilian contract, based upon the value of sugar in Brazil.

Senator DOUGLAS. In terms of American price.

Mr. NEMIR. Yes, sir.

Senator DOUGLAS. Well, that would be roughly what?

Mr. NEMIR. About a hundred dollars.

Senator DOUGLAS. A hundred dollars a ton?

Mr. NEMIR. Yes, sir; it is a metric ton.

Senator DOUGLAS. Now, you get one-eighth of a percent of that, is that right?

Mr. NEMIR. No, sir. It is one-quarter.

Senator DOUGLAS. That's 25 cents a ton.

Mr. NEMIR. Yes, sir. Then reduce that——

Senator DOUGLAS. Wait a minute. We have to take one step at a time.

Multiplied by 340,000 tons it comes, according to my figures, to $85,000.

Mr. NEMIR. Yes, sir. Then you have to take 30 percent off for Brazilian taxes.

Senator DOUGLAS. According to my figures, that is $25,500—leaving $59,500.

Mr. NEMIR. Reduce that 10 percent, because it is metric tons, and not short tons in our contract.

Senator DOUGLAS. You say you are being paid in short tons?

Mr. NEMIR. No, sir. Metric tons.

Senator DOUGLAS. I see, 340,000 short tons would be less than 340,000 metric tons. It would be about——

Mr. NEMIR. Roughly 300,000, metric tons.

Senator DOUGLAS. Deduct roughly 10 percent—which would be $5,950—$53,550 contingent. Now, is that in addition to the $25,000?

Mr. NEMIR. No, sir; that goes against it.

Senator DOUGLAS. So roughly, if you get nothing, if the administration bill is passed, you get $25,000.

Mr. NEMIR. That is right.

Senator DOUGLAS. If the Cooley bill is passed, you get $53,550.

Mr. HATHORN. It is on the sugar sales here—the tonnage sold in the United States.

Mr. NEMIR. Yes. I think that is pretty close to right, Senator. I think that's fairly close.

Senator DOUGLAS. Just a moment.

Mr. NEMIR. That is before taxes, I believe.

Senator DOUGLAS. No, no, it includes the Brazilian tax of 30 percent. You see, it would have been $85,000. You deducted 30 percent for the Brazilian tax.

Mr. NEMIR. Yes, sir. That includes all expenses, sir.

Senator DOUGLAS. I am being very generous in this, because Brazilian tax, of course, will decrease the tax which you would have to pay in the United States.

Mr. NEMIR. I am talking about the Brazilian tax before the U.S. tax. I am not talking about the U.S. tax.

Senator DOUGLAS. But the fact that you pay a Brazilian income tax will diminish the tax you have to pay in the United States, because under the international agreement income taxes paid abroad are credited against income taxes owed at home. So you may get out of paying any American taxes on this.

Mr. NEMIR. I don't think so. We have not figured it out that way.

Senator DOUGLAS. Now, if you get what you want, 750,000 tons, this will be $175,000 a year——

Mr. NEMIR. Our contract does not go on forever, Senator.

Senator DOUGLAS. Wait a minute. It goes on for each of 5 years; does it not?

Mr. NEMIR. No, sir. We only have a 2-year contract.

Senator DOUGLAS. It goes on for 2 years.

Mr. NEMIR. Yes, sir.

Senator DOUGLAS. Let us summarize this now.

Mr. NEMIR. Before you summarize, may I say what is the intent of this contract?

Senator DOUGLAS. I am trying to get at the reality, and then we will come to the intent.

Mr. NEMIR. All right.

Senator FULBRIGHT. Mr. Chairman—will the chairman yield? I wonder if this agreement—the registration of this contract is supposed to be registered with the Department of Justice, and it is a public document. I wonder if it is not proper for him to supply the committee for the record a copy of his agreement. I think that might clarify it.

Mr. NEMIR. Yes, sir; I think it would. I might say this, though. A contract with the Brazilian Government requires Portuguese and English translations, and 4 or 5 copies. We still have to finish the contract in Brazil—although I can supply the committee with where we are today. But there are some modifications.

Senator DOUGLAS. Well, let me summarize that.

If you get the 750,000 tons at 25 cents a ton that would be $175,000. If you pay a Brazilian tax of 30 percent on that—this is on a yearly basis—that would give you $52,500, or $122,500 in 2 years, and that $52,500 Brazilian tax would diminish your American tax by that amount. When we have asked others about their fees we have not deducted the tax they may owe on it. That is very important to know. And 10 percent of that would be $12,000, roughly, or you would get $110,000.

Now, you say that is for 2 years? That would be $220,000.

Now, Mr. Gardner said he had hoped that his contract might be renewed if the agreement with Mauritius continued for 5 years. Do you have any gentleman's understanding that at the expiration of your contract it will be renewed for additional years?

Mr. NEMIR. Senator Douglas, this involves the concept of how much money should be spent on—on a foreign government's interest in a particular market. Now, Brazil shipped last year 300,000 tons for the first time. The previous year 100,000 tons. They had no sugar representation here.

Senator DOUGLAS. Did you get a commission on that?

Mr. NEMIR. No, sir. But they realized the void. So they wished, like any other sugar group, to have an office here, and their intention is to go toward a permanent office here to handle affairs throughout the year, not just for lobbying, but all the expenses and development work that should be done for a country of that size. And this is to set that office up, not as a fee to us.

Senator DOUGLAS. You think you will be displaced by this Brazilian official office after a time?

Mr. NEMIR. Well, I hope to stay with it. I am after permanent representation.

Senator DOUGLAS. You hope the contract will be renewed in some form?

Mr. NEMIR. Yes, sir; we certainly do.

Senator DOUGLAS. Well, now, what about the wheat agreement? If the wheat agreement goes through, would you get a commission—a brokerage fee on the sale of the purchase of wheat by Brazil?

Mr. NEMIR. No, sir; not one penny. The wheat thing is something that I worked with for 3 years. I am familiar with it. It is a clean, straight offer to the United States, designed to raise the consumption

of wheat in Brazil. It is needed. And all they need is foreign exchange to buy it.

Senator DOUGLAS. You would not get anything in addition.

Mr. NEMIR. Not a penny; no, sir.

Senator DOUGLAS. Has Brazil paid anybody a fee under wheat during the last few years?

Mr. NEMIR. No, sir.

Senator DOUGLAS. No one?

Mr. NEMIR. No one—not to my knowledge, Senator. And I am fairly familiar with it.

Senator DOUGLAS. We raise these questions, not to be unpleasant. This is not illegal of course—we want that understood. But it indicates with these fees being paid, that we create lobbyists in this country inevitably to increase purchases from these nations on terms as favorable to these other nations as possible. And since these claims are being furthered by American citizens, it creates a group inside the United States whose financial interests are adverse to the Nation as a whole and favorable to other countries.

Now, as I say, this is legal. I am not certain that it is unethical. But it is something that should be known, so that we can understand the pressures which arise and so that the general public may be prepared. That is why some of us have been asking these questions.

Do you want to reply to this?

Mr. HATHORN. Senator Douglas, I think the fact that Brazil enters into the market with this tremendous tonnage of sugar, and the possibilities are here of misunderstandings on the shipments of sugar coming in through the institute sales—the institute needs representation here that the American public will have access to. We have an obligation beyond presenting the views of Brazil to this committee. We have a legal obligation in case problems arise of duty, customs, or in suits with private importers here—we have that obligation to continue at no extra fee. And this is part of the thing that could lead to misunderstanding.

Senator DOUGLAS. But your fees increase—the more sugar we take from Brazil for a longer period of time. Is that not true?

Mr. NEMIR. Senator, that is not the reason for the problem. The reason for the contingency is the reluctance of a foreign government to establish the budget necessary to maintain an office. They just prefer it that way. I prefer the flat payment arrangement—at some point I hope to have one. It is not a thing that you design. It is a thing that you recognize as a reality.

Senator DOUGLAS. The Senator from Arkansas.

Senator FULBRIGHT. You say you were employed just this year?

Mr. NEMIR. Yes.

Senator FULBRIGHT. Who represented Brazil last year?

Mr. NEMIR. They did not have any representation. Yes, I believe they did—sorry.

Senator FULBRIGHT. Who was it?

Senator DOUGLAS. I think the record would show who appeared for Brazil. I personally do not know.

Senator FULBRIGHT. I am asking the witness—who was it?

Mr. NEMIR. I think it was Mr. Cox.

Senator FULBRIGHT. What did the Brazilian Government pay him—on what basis?

Mr. NEMIR. I'm sorry, I don't have that information.

Senator FULBRIGHT. You do not know?

Mr. NEMIR. No, sir.

Senator FULBRIGHT. Are you registered under the Foreign Agents Registration Act?

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Did you register in Portuguese or English?

Mr. NEMIR. In English.

Senator FULBRIGHT. Have you a copy of what you registered?

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Why can't you supply it to the committee?

Mr. NEMIR. I can. It is there. I thought you had it, Senator—sorry.

Senator FULBRIGHT. I asked a moment ago if you could make it available, and you said you did not know whether it was translated or not.

Mr. NEMIR. No, it is filed.

Senator FULBRIGHT. Does that registration agreement contain in it the details of your agreement?

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Well, just for convenience—it is a public document. When you register with the Department of Justice, anybody is free to see it. But as a matter of convenience, I do not know why you could not make it available for this record.

Mr. NEMIR. Senator Fulbright, I thought you had it. I'm sorry.

Senator FULBRIGHT. Why did you think I had it?

Mr. NEMIR. Well, because——

Senator FULBRIGHT. I asked a moment ago. I thought you said you didn't know—you didn't know if you had one translated.

Mr. NEMIR. No; I said we still had——

Mr. HATHORN. Senator, we did not have it with us. We did not know you were going to ask these questions. We were here all day waiting to testify.

Senator FULBRIGHT. You heard me ask the other witnesses about this.

Mr. HATHORN. We had no opportunity to go get a copy and bring it in here.

Senator FULBRIGHT. You will supply it.

Mr. HATHORN. Yes, sir.

Senator FULBRIGHT. Mr. Chairman, I think that all these foreign lobbyists—they are usually Americans lobbying for foreign interests, such as you have so eloquently stated—I think all of these ought to be made a part of the record so we do know what this bill is generating in this field, because it is not only in this field, but it is in many other fields. I think it is something that the public does not know about. I would certainly suggest that these witnesses be requested to supply a copy of their agreements.

Senator DOUGLAS. Unless there is objection, I am going to ask the clerk of the committee to request from the Department of Justice copies of these agreements—not merely for those who appear——

Senator FULBRIGHT. I may suggest—I would like that it be requested from the individuals who appear, because many of the filings at the Department of Justice are quite inadequate and do not comply with the requirements of the law.

Senator DOUGLAS. Very well. We will do that. But I think in common fairness, we should also include representatives of countries which have received quotas but have not made a personal appearance. Otherwise, the hardy will be penalized and the wary will get off scot free.

Senator FULBRIGHT. I would like very much that you ask those also. You named some of them—for example, those who have not appeared, but did appear in the House.

Mr. Robert Chrisman, of the Netherlands, asking for an increase of 4,000 to 10,000. Mr. Irving Davidson of Ecuador, asking for a quota of 30,000, with none at all now. Miss Dina Dellale, representing the Costa Rican producers, 4,000 to 30,000 in the House. And Mr. Wesley McDonald, representing the Panamanian producers with an increase of 4,000 to 15,000. Mr. Arthur L. Quinn, representing the British West Indies, 84,000 to 100,000. And Mr. Walter Sterling Surrey, representing the French West Indies, from nothing to 40,000.

I think this is an integral part of this whole bill. We ought to know what it generates, what are some of the implications of the House bill.

Senator DOUGLAS. Since time is of the essence, I am going to ask the clerk to send telegrams immediately to all these representatives asking for submission tomorrow morning of their agreements.

Senator FULBRIGHT. I would also like, for my own information, to request the fees received by the representatives of the American producers—these various associations that have come in here and brought such pressures to bear upon increasing——

Senator DOUGLAS. I think that would be an excellent suggestion. I will ask the clerk to send telegrams to the beet sugar producers, to the cane sugar producers, to the refiners, to all groups.

Senator FULBRIGHT. To their lobbyists who have been working for this bill—their representatives, I should say.

Hawaiian Sugar Planters Association has one. You know them all. The clerk knows all of them.

I would like, Mr. Chairman, to ask permission to insert in the record at this point a list of the Sugar Act payments in excess of $50,000 made to sugarcane and sugarbeet producers for the 1960 crop. I think it is also information that is very pertinent to this. These are the individual payments for the large amounts—running up as high as $775,000, I may say, to one corporation; direct payment.

Senator DOUGLAS. I think it would be interesting if the Senator from Arkansas would read them aloud, so those present would have the benefit of this information.

Senator FULBRIGHT. Well, it is a long list. The largest one is the U.S. Sugar Corp. receiving $775,000. Then there are a number of them in the neighborhood of $500,000—Oahu Sugar Co., $500,000—and so on. All of these direct payments total up to $72,985,000.

(The information referred to follows:)

Sugar Act payments in excess of $50,000 made to sugarcane and sugarbeet producers, 1960 crop

Producer	*Payment*
Domestic beet area: Newhall Land & Farming Co	$51,122
Mainland cane sugar area:	
Okeelanta Sugar Refinery, Inc	351,403
South Coast Corp	303,971
Southdown, Inc	186,270
U.S. Sugar Corp	775,121
Sterling Sugar Co	78,772
Churchill & Thibaut	55,577
Dugas & LeBlanc	60,047
A. Wilbert's Sons	62,090
Milliken & Farwell	73,036
Savoie Farms	52,391
Total, mainland sugarcane	1,998,678
Hawaii:	
Ewa Plantation Co	385,747
Gay & Robinson	136,279
Grove Farm Co., Ltd	275,255
Hakalau Sugar Co., Ltd	155,398
Hamakua Mill Co	212,519
Hawaiian Agricultural Co	361,632
Hawaiian Commercial & Sugar Co	980,691
Hilo Sugar Co., Ltd	166,446
Honokaa Sugar Co	230,254
Hutchinson Sugar Co., Ltd	245,923
Kahuku Sugar Co., Ltd	169,559
Kekaha Sugar Co., Ltd	342,187
Kilauea Sugar Co., Ltd	157,254
Kohala Sugar Co	360,695
Lihue Plantation Co., Ltd	424,423
Laupahoehoe Sugar Co	229,533
McBryde Sugar Co	229,533
Oahu Sugar Co., Ltd	500,089
Olokele Sugar Co	246,705
Onomea Sugar Co	203,218
Paauhau Sugar Co., Ltd	141,281
Pepeekeo Sugar Co	174,619
Pioneer Mill Co., Ltd	413,127
Puna Sugar Co., Ltd	282,364
Waialua Agriculture Co., Ltd	466,215
Wailuku Sugar Co	233,192
Total, Hawaii	7,788,757
Puerto Rico:	
Luce & Company, S. en C	590,661
Sucesion J. Serralles and Wirshing & Co., S. en C., coproducers	370,903
Heirs of Miguel Esteve Blanes, deceased, et. al., joint operators	137,312
C. Brewer Puerto Rico, Inc	431,530
Antonia Cabassa Vd. Fajardo, et.al., joint operators	111,489
Miguel A. Garcia Mendez, Fredeswinda Ramirez de Arellano	69,858
Antonio Roig, Sucrs., S. en C	339,403
Mario Mercado e Hijos, a partnership	103,786
Jorge Gonzalez Hernandez, et.al., coproducers	58,750
Heirs of Mario L. Mercado Parra, deceased; heirs of Mario L. Mercado Parra, deceased, and Gregorio Multedo and Southern Transport, Inc	95,927
Ernesto Quinones Sambolin	63,267

Puerto Rico—Continued	
Heirs of Lucas P. Valdivieso, deceased	$82,363
Quintero & Davila, Ltd	57,584
Waldemar Bravo	87,402
Ramon Gonzalez Hernandez	108,311
Total Puerto Rico	2,708,446
Virgin Islands: Virgin Islands Corporation	62,017
Total, all areas	12,609,020
Total 1960-crop Sugar Act payments for all areas	72,985,573

Senator DOUGLAS. Do I understand that the subsidy paid to those receiving more than $50,000 a year comes to a total of $72 million?

Senator FULBRIGHT. These are the domestic people, not the foreign. These are the ones the representatives of whom I have just asked to be put in the record what they are paid. This includes the Virgin Islands, Hawaii, the mainland sugar cane and domestic beet.

Senator DOUGLAS. I would like peruse this for my own information. I will not say edification.

Senator FULBRIGHT. I want to point out for the record that this is the direct cash payment. This is by no means the total subsidy, which is chargeable to the consumers of the United States. These are only the direct payments. It does not take into consideration the increased price which the consumer pays. That runs, you know, up to $600 or $700 million. But those are direct payments. I think it ought to be in the record for the information of the press and the country, because I don't think they understand the significance of this legislation to the country.

Mr. Nemir, I do not wish to belabor this point, but I think it is significant that what we are generating here—you just stated, because of the prospect of these great subsidies, you want to establish a new office—Brazil does.

Doesn't Brazil have quite a large Embassy here?

Mr. NEMIR. Yes, sir; it does.

Senator FULBRIGHT. Don't they have commercial attachés in their Embassy?

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Why can't they handle business of this kind and present their case to the Government here? Is it only because the Congress is undertaking to set these quotas that it is necessary to hire people such as yourself to come to the Congress?

Mr. NEMIR. Well, I am not so sure that I would be a good one to answer that. I have been mostly in sugar for 25, 27 years.

Senator FULBRIGHT. You have many other clients besides Brazil?

Mr. NEMIR. Oh, yes; I do. This is the only foreign country I represent. But I think it would be a great risk for any country, under the present circumstances, not to be fully conversant with every detail of this complex sugar law.

Senator FULBRIGHT. When you say under the present circumstances, you mean when a committee of Congress is undertaking to dole out these quotas. If this was done in an orderly manner by the administration——

Mr. NEMIR. I'm sorry, Senator, I think for the last 2 years they have needed someone. They have had a public relations problem in their selling, and misunderstandings for the last 2 years.

Senator FULBRIGHT. To my knowledge, the United States does not employ private lobbyists to do our business abroad. We depend upon our governmental representatives, do we not? I have never heard of the United States hiring a lobbyist and paying him any contingent fees to obtain business in Great Britain. for example.

Mr. NEMIR. I think this is in the nature of a private business, a private American business——

Senator FULBRIGHT. Doesn't this arise primarily because a committee of Congress is undertaking to settle this matter, and therefore to meet that situation Brazil and all the others feel that it is necessary to hire special counsel, such as yourself, and all the others——

Mr. NEMIR. If you do not, you get left.

Senator FULBRIGHT. But if it was handled in the regular way, where the administration handled these matters, the commercial attaché at the Brazilian Embassy would be quite competent to go and see the Secretary of State or the Secretary of Agriculture and negotiate about such matters, would he not?

Mr. NEMIR. Senator, I am afraid I could not agree. I think it requires more time and attention. In fact, one person cannot follow this.

Senator FULBRIGHT. Well, how many people are in the Brazilian Embassy in this country?

Mr. NEMIR. Well, I'm sorry—15——

Senator FULBRIGHT. You have 15 down there?

Mr. NEMIR. They would probably have to hire Americans to do it.

Senator FULBRIGHT. I would assume they have very competent people.

Mr. NEMIR. They do.

Senator FULBRIGHT. I think the reason for this—it grows out of the nature of the way this has been handled. I can understand that it would be not only improper, but undignified for a diplomat to come over and plead his case before a committee of Congress. This is not customary. But actually the need for your services has grown out of the way this bill has been handled, has it not?

Mr. NEMIR. I would say the need has increased. I would not say it is entirely new.

Senator FULBRIGHT. Most of these applicants or representatives I do not think formerly ever appeared until the Congress had this great pie to cut up a a result of the Cuban quota being available, did they?

Mr. NEMIR. Senator Fulbright, since 1934, this is the first time where it has been necessary for the United States to go out into the world and find 3 million tons of sugar.

Senator FULBRIGHT. We have no trouble going out and finding it.

Mr. NEMIR. Well, I am not as confident as some are that it will be available in the next 5 years.

Senator FULBRIGHT. You do not have any doubt about it being available, do you?

Mr. NEMIR. It is available, at a price.

Senator FULBRIGHT. How much has Brazil increased its production during the past 5 years?

Mr. NEMIR. The testimony—the full testimony covers that point. It has gone up quite substantially in the last 10 years.

Senator FULBRIGHT. Fifty-four percent in the last 5 years.

Mr. NEMIR. Yes, sir.

Senator FULBRIGHT. Although there was an excess of supply in the world.

Mr. NEMIR. May I tell you why that happened, since you ask the question?

There are two industries, two distinct industries in Brazil. One in the northeast has been there several hundred years, 500, 600 years. The new one in the south, which was necessary to supply sugar for the increased consumption in Brazil—which had been going up quite rapidly at the rate of about 5 or 6 percent a year—and it is the new industry in the south, where the potential for expansion is unlimited. So they had two industries.

Senator FULBRIGHT. I believe that is all, Mr. Chairman.

Senator DOUGLAS. Well, thank you.

I want to correct an impression which I gathered from the verbal statement of the Senator from Arkansas. It was made before I had seen the detailed list. The $72,985,000 paid was the total of all cash payments. Of this, $12,609,000 was paid to concerns which received over $50,000. I made an erroneous statement of $72 million.

The Senator from Arkansas mentioned the United States Sugar Corp., a mainland company, which receives $775,000. There were two others that received over $300,000. The total of mainland sugarcane payments amounted to $1,998,678. The beet payments amounted to $51,000 for that company. The Hawaiian payments amounted to a total of $7,788,757.

It is interesting that the Hawaiian Commercial & Sugar Co. received $980,691.

The Oahu Sugar Co., Ltd., $500,089. Pioneer Mill Co., Ltd., $413,-127. Waialua Agriculture Co. Ltd., $466,215.

In Puerto Rico, Luce & Co. received $590,661. Sucesion J. Serralles, $370,903. C. Brewer Puerto Rico, Inc., $431,530. And there are various others.

The total payments in Puerto Rico amounted—to those over $50,-000—amounted to $2,708,446.

Virgin Islands Corp., $62,017.

The total for all those over $50,000, $12,609,020.

Since Senator Fulbright will not be able to be here tomorrow morning, at his request we would like to have Mr. G. Douglass Debevoise, representing the South Puerto Rico Sugar Co., testify.

Perhaps it would help if Senator Fulbright asks a few questions, since he cannot be here tomorrow, and then you can appear tomorrow and testify.

STATEMENT OF G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO.

Senator FULBRIGHT. Mr. Chairman, I appreciate very much your giving me this opportunity to ask a few questions on this case. Because I did not anticipate we would meet tomorrow, I have some other engagements.

Now, Mr. Debevoise, you represent South Puerto Rico Sugar Co.?

Mr. DEBEVOISE. I am president of it.

Senator FULBRIGHT. As I understand it, about 25 percent of your business is in Puerto Rico, and about 75 percent of your production is in the Dominican Republic?

Mr. DEBEVOISE. That is correct.

Senator FULBRIGHT. You are interested in increasing in the Dominican Republic?

Mr. DEBEVOISE. Yes, I am, sir.

Senator FULBRIGHT. Can your company sell sugar to the United States at the world market price, as contemplated by the administration's bill, at a profit?

Mr. DEBEVOISE. No, sir.

Senator FULBRIGHT. Prior to this year, had you been selling the Dominican sugar at the world market price?

Mr. DEBEVOISE. We have been selling sugar largely to Great Britain, which market has disappeared owing to the competition of Iron Curtain country sugars. That market has disappeared. We have no subsidized market except whatever we are given by the United States.

Senator FULBRIGHT. Did your company sell sugar to the United States during 1960 without a quota premium?

Mr. DEBEVOISE. We sold sugar to the United States less 2 cents in 1960, and less 2¼ cents in 1961.

Senator FULBRIGHT. Well, does that mean it was without the quota premium?

Mr. DEBEVOISE. That means that it was without the quota premium. However, we are suing for that premium.

Senator FULBRIGHT. You are suing for it?

Mr. DEBEVOISE. In the Court of Claims, sir.

Senator FULBRIGHT. Do you have a provision in this bill regarding that amount that you are suing for?

Mr. DEBEVOISE. I have, sir, in my written statement which is presented—dealt with this at some length. I would like very much to have the privilege of giving the complete story on it, which I do not believe has been presented to you, Senator Fulbright, as yet, from reading the testimony to date. It will take a moment.

Senator FULBRIGHT. Go ahead.

Mr. DEBEVOISE. In December——

Senator FULBRIGHT. In order for the record—this is dealing with the provision in the House bill which provides for payment.

Mr. DEBEVOISE. Section 18.

Senator FULBRIGHT. Of $22½ million.

Mr. DEBEVOISE. That is correct.

Senator FULBRIGHT. And that is the same amount involved in the suit?

Mr. DEBEVOISE. Our share of that, sir, was $6,875,000.

Senator FULBRIGHT. All right, proceed.

Mr. DEBEVOISE. In December of 1961 I was in the Dominican Republic where I go six to seven times a year. The situation was extremely tense. They needed money very badly. I came up here and I reported, as I generally did, to Mr. Moscoso and others whom I had known in Puerto Rico. I have the greatest respect for Mr. Moscoso. I think he has been making a success of the Alliance for Progress.

Mr. Moscoso went down to the Dominican Republic in January and saw how desperate the situation was. He saw a chance to have this money returned quickly to the Dominican Republic.

In February, when I was down there again, he approached us and asked us if we would be willing to enter into an agreement with the Dominican Republic whereby they would receive all the dollars involved, and we would accept pesos, after the payment of taxes, which amounted to over 50 percent of the amount involved, and we would then be willing to expend these pesos on purchases which were in accord with the Alliance for Progress.

In our case, these purchases would be housing and roads.

We went to work and made an agreement with the Dominican Government—and my letter to them and their letter to me is in the Congressional Record, my testimony in the House. We assumed, naturally, that the State Department was supporting Mr. Moscoso. The Dominican Republic people obviously assumed that.

We came back and nothing happened. Month after month went by. This matter became a very, very important thing to the Dominicans. Nothing was done. They began to feel that this money, which had been taken from them—let us leave out the legal aspect—had been taken from them by the United States, and in my opinion rightly at the time, to keep it out of the Trujillo family's hands—it should now be returned, now that the Trujillo family left. This has not been done.

Finally one day the State Department asked us to come to Washington. We went there. They said to us, "We are now going to return this money, and we are going to return it through AID. But the only way we can do it is: (1) For you to give up your lawsuit; (2) the Dominican Government will then present its program to us which if approved, will call for the return of this money. This money cannot be used for any benefit for the South Puerto Rico Sugar Co. If any houses are built, they must be rented to you. If they are built on your land, the land must be given to the Government."

It was obvious to me, as it must be to you, Senator, that no American company could do that. This was as close to confiscation as anything I knew, very frankly. We were asked to give up what we thought was a good claim, although the Department of Justice says we do not have a good claim—we differ on that.

Senator FULBRIGHT. Who said it was a good claim?

Mr. DEBEVOISE. We say it is a good claim.

Senator FULBRIGHT. I thought you said somebody in the Government.

Mr. DEBEVOISE. No, sir. The Department of Justice—we have been advised the Department of Justice does not consider it a good claim. The spokesman for the State Department told us that. We disagree.

Senator FULBRIGHT. It is before the Court of Claims now?

Mr. DEBEVOISE. It is, sir. But the point is this. Through no fault of ours, Senator, this matter has become a matter of tremendous importance to the Dominican people. It is no fault of the South Puerto Rico Sugar Co. I would prefer to be quietly in court suing away, without being mixed up in this thing. But the State Department brought it up originally, and they have reneged on it.

Senator FULBRIGHT. That is a very serious charge. I wish you would make it clear. Who reneged on it?

Mr. DEBEVOISE. I assume, sir, that Mr. Moscoso represented the Department of State when he approached us.

Senator FULBRIGHT. Mr. Moscoso really works for the AID administration, that is true.

Mr. DEBEVOISE. Correct.

Senator FULBRIGHT. Now, what did he say to you? He promised to return it to you?

Mr. DEBEVOISE. No. He asked us to make this arrangement with the Dominican Government, which we did, whereby we gave up any claim on our share of the dollars. We agreed to accept pesos and to spend them in the Dominican Republic for purposes which we believed would help and strengthen the Dominican Government, which we were anxious to save, and which has had a very difficult time, as you know.

This was not backed up by the State Department.

What I am saying, Senator, is that it has become a very unfortunate thing to the Dominican Republic. I believe we should save the Dominican Republic.

Senator FULBRIGHT. You also say Mr. Moscoso spoke without authority. Is that now what you are saying? That his superiors did not back up his statement, is that correct?

Mr. DEBEVOISE. I do not know what happened, sir. I got the letters which were asked for and which were forwarded to Mr. Moscoso in Washington. The Council of State in the Dominican Republic sent an official letter to me, which is in the Congressional Record. It is not normal for us to ask for any agreement with a sovereign government, except at the request of another government, I would think.

Senator FULBRIGHT. All right, proceed.

Mr. DEBEVOISE. That's the way the matter stands. The Dominicans have since decided—as I say, I am sorry to tell you the matter has become a matter of great moment to their pride—that they do not wish to receive the money through AID. They think this money was—should have been—held in escrow because the purpose—I also believe—was not to increase the wealth of the U.S. Treasury. I think it was to withhold the money from the Trujillo family. That family has disappeared from the Dominician Government. Therefore it is their feeling—which I share—that the money should be returned.

Senator FULBRIGHT. Well, that is before the court. Do I understand you to say you prefer to litigate in the court?

Mr. DEBEVOISE. I would have, sir, before this came up. Now I think that if we wish to save the Dominican Republic, I would prefer to do it through legislation—and not through AID—because I think this money is very important to them.

Senator FULBRIGHT. This way, if this is done as in the bill, you will get $6,685,000 out of this, will you not?

Mr. DEBEVOISE. No, sir.

Senator FULBRIGHT. Why would you not?

Mr. DEBEVOISE. Less appropriate taxes and payments to farmers, which brings it to——

Senator FULBRIGHT. All of us have to pay taxes. That is what you will get.

Mr. DEBEVOISE. We get pesos, sir, not dollars. We get no dollars. And we must use these pesos in the Dominican Republic.

Senator FULBRIGHT. Well, you have much use for pesos in the Dominican Republic. You have very large operations there, do you not?

Mr. DEBEVOISE. I can always use pesos, sir, because this is a big program.

Senator FULBRIGHT. Well, your whole program is a big program.

Mr. DEBEVOISE. But I have also stockholders who I think have been extremely cooperative in this matter.

Senator FULBRIGHT. Well, you have done very well, too, have you not?

Mr. DEBEVOISE. I believe it is my duty to make a profit for this corporation, if it is possible.

Senator FULBRIGHT. But do you think it is necessarily your duty to make the Federal Government increase your profit by donations, such as included in this bill?

Mr. DEBEVOISE. I resent that, sir. I do not think that is a donation at all. I think we are the only country——

Senator FULBRIGHT. Why don't you let the court decide whether you have a legal claim or not? I am perfectly willing for you to try it there. But to come and have a legislature in effect supplant the court after you have entered the suit seems to me very irregular.

Mr. DEBEVOISE. I can only say, sir, that the House Committee on Agriculture was approached by the State Department and asked if they felt the same way about this, and they did. The chairman wrote a letter to the State Department offering to present this legislation. Now, this matter would originate in that committee. I am only telling you what happened, sir. I am not judging whether it was correct or not. They agreed that it had never been their purpose to have a tax of this sort put on. But irrespective of the legal right, the reason for it has now disappeared, and the money should be returned to a country which the State Department wants to save. And this is one way to save it.

Senator FULBRIGHT. Well, we gave them or loaned them $25 million only a few weeks ago. I am sure they will participate in the Alliance for Progress very substantially. The question I think that is at issue is, first, is there any legal right that you have to the money, and if you do not have, the next is, is this a proper way to give aid to a country? A way which happens to result in your company receiving $6.8 million out of $22.7 million. The question is whether or not this is a wise way to give aid to a country.

Mr. DEBEVOISE. Well, sir, it has now reached a question of mechanics as to how it is going to be returned. The State Department testified the other day State was considering returning it through AID. Now, it cannot be returned through AID——

Senator FULBRIGHT. Not to you directly.

Mr. DEBEVOISE. No—we cannot share. Now, you could not, as the president of an American company, give up what you consider a just claim.

Senator FULBRIGHT. Well, I do not wish to prejudge the court's decision. But it seems very irregular, once you entered a suit, and it is pending, to then come along and try to supplant that by legislative act.

Mr. DEBEVOISE. I did not do it, sir—the U.S. Government brought it up, or Mr. Moscos did. I did not bring it up, sir.

Senator FULBRIGHT. Well, if he did, apparently he did it without the support of the Government and without authority.

Mr. DEBEVOISE. We were the ones who suffered.

Senator FULBRIGHT. Well, coming back to your own situation, you did sell sugar during 1960 without a quota, did you not?

Mr. DEBEVOISE. That is correct.

Senator FULBRIGHT. And you did make a profit, did you not?

Mr. DEBEVOISE. A profit—the average price as I remember was about 3¼ cents.

Senator FULBRIGHT. Were you—it has been rumored that Trujillo asked you to make these sales—is that true?

Mr. DEBEVOISE. No, that is not true. There is a law on the books that says you must fill your quotas. That was there in Trujillo's time, it is there today.

There was also in his time a thing called a production tax. This tax you paid when you made the sugar. It had nothing to do with the price you got for the sugar. It took a large percentage of our gross. That was the second thing.

The third thing was that you will remember that the Congress turned down the request of the administration, as I remember it, on July 1, to cancel the Dominican quota. But it then withheld the Dominican quota for some 3 months. My recollection is not as good this time of day, Senator Douglas, as I would like it to be. But I think this is right. But we had been assured there would be a quota. So we waited. Any businessman would wait. The price here is better than in the world market.

We had no idea that this tax would hit us—any idea.

In the meantime, the world markets were all filled up. I believe our quota was given in late September, and there was a law in the Dominican Republic that you must fill your quotas, and under Trujillo you did.

Senator FULBRIGHT. According to this latest report I see about your company—I think this is pertinent to this, as to whether or not you have been really harmed by this action—you did sell to the United States without the premium. According to this Standard & Poor's—this is, as you know, a well-known statistical office in New York—Standard & Poor's Corp. This is Monday, April 23, 1962. And this is commenting upon your company, the South Puerto Rico Sugar Co. It says, "The proportion of the lower cost of making sugar in such large volume, plus larger sales to the United States, offset the effect of low selling prices in the world market. As a result, profit margins were the widest in 4 years, and operating income advanced 38.8 percent. Earnings before provisions for taxes being 58.1 percent." And the net income rose 75.6 percent over the prior year—although you were selling without a premium.

This is a very peculiar situation. It doesn't seem that it harmed you much. You certainly did very well.

Now, if we come along and give you $6.8 million in addition, it certainly would all be carried to net, whatever is left after taxes, would it not?

Mr. DEBEVOISE. No. As I said before, it is going to be spent on social programs.

Senator FULBRIGHT. You are not obligated to do that.

Mr. DEBEVOISE. Absolutely. That is the bill, and we are obligated to do it—absolutely. But, sir, may I explain something else. Since this time I would like to point out—and I have it here in my testimony—our wages have gone up in the Dominican Republic a little over $4.1 million which, if you will look at the earnings—and I think this is the year you are referring to—is in excess of the earnings of the entire company after taxes. So that our costs today are considerably above world prices.

Now, Trujillo was killed on May 30. Our year ended September 30. This whole situation has changed very decidedly—which I will point out in my testimony tomorrow—as far as we are concerned. But this money, which has been most erroneously referred to as a windfall, sir, is not windfall. Or if it is, it is not one I want.

Senator FULBRIGHT. Well, I congratulate you on obviously a very good management, that you increased your earnings so substantially in the face of selling at the world price, not at the premium price.

Mr. DEBEVOISE. If you can get volume enough, Senator—and we happen to have good weather—as I remember that was the year we made more sugar than we ever made—if you get big enough volume you can do pretty well.

Senator FULBRIGHT. Did you request that this provision for the $22 million be put in this bill?

Mr. DEBEVOISE. I testified I was in favor of doing that, because it was the only method that we could think of whereby this money could be returned to the Dominican.

Senator FULBRIGHT. Does your company retain a public relations firm to help you in these matters?

Mr. DEBEVOISE. I am glad you asked me that. We have employed as Washington counsel—and you will see their name listed there in our report as Washington counsel—the firm of Surrey, Karasik, Gould & Green. We have retained them ever since I became president in 1954. They work on Puerto Rican matters, they work on matters for us out of their French office, they work on Dominican matters. If we do not get any quota at all under this bill, they will still be our counsel. They receive their retainer of $20,000 a year. That retainer is unchanged, whether there is sugar legislation or not. If you give us absolutely no quota—we might increase it then, because we would be in trouble. Anyhow, the retainer has absolutely nothing to do with quota legislation. They are not in that sense of the word lobbyists. They are our attorneys in Washington.

Senator FULBRIGHT. You stated that this matter has become a matter of great interest to the Dominicans.

Mr. DEBEVOISE. Yes.

Senator FULBRIGHT. Do you also have a public relations firm by the name, I believe, of Publicity Consultants, Inc.?

Mr. DEBEVOISE. You mean Samuel Badeo?

Senator FULBRIGHT. Well, I have Publicity Consultants, Inc., 247 Park Avenue.

Mr. DEBEVOISE. That is Ben Sonnenberg. Yes, we have used them.

Senator FULBRIGHT. I don't know the individual's name.

Mr. DEBEVOISE. Yes, sir.

Senator FULBRIGHT. Are they in your employ?

Mr. DEBEVOISE. We have used them, sir, on three jobs—(1) to put out a booklet on the 60th anniversary; (2) to put out an article on the Puerto Rican 500-acre law, the history of it; and (3) one other article—I can't remember what it was.

Senator FULBRIGHT. I wonder if I could refresh your memory. On June 19, 1962, which was not very long ago—today is the 22d—for the South Puerto Rico Sugar Co., Publicity Consultants, Inc., 247 Park Avenue—this is a news story which came from Washington. I am sure it was published in the Dominican Republic—I have no doubt it was. It leaves the impression—"entire U.S. repayments to go directly to the Dominican Republic."

Mr. DEBEVOISE. Sir, this is the report of my testimony, I guess. They cabled it down.

Senator FULBRIGHT. What would be the effect of this—what was the purpose of this, if not to arouse in the Dominican populous the expectation and assurance that they would get all this by this bill?

Mr. DEBEVOISE. No, this was no more than that. The Dominicans had their Ambassador here. He reported the same thing. There are two papers down there.

Senator FULBRIGHT. This was especially for you, I assume, as part of their duties to publicize your position in this country.

Mr. DEBEVOISE. Well, goodness, we need it, because there is a great deal of anti-American spirit down there.

Senator FULBRIGHT. Well, you are doing very well, it strikes me.

Mr. Chairman, I think this would be informative to put in the record, as an illustration of the efficiency of our public relations firms.

Senator DOUGLAS. Without objection, so ordered.

(The articles referred to follow:)

JUNE 19, 1962.

For: South Puerto Rico Sugar Co.
From: Jack Pacey-Franc Allina Publicity Consultants, Inc., 247 Park Avenue, New York, N.Y.

NEW U.S. SUGAR BILL PASSES HOUSE, INCLUDES $22,755,153 REPAYMENT TO DOMINICAN REPUBLIC AS URGED BY SOUTH PUERTO RICO SUGAR CO.

(Recommendations of G. Douglass Debevoise, president of Major Dominican Sugar Producer, Inc., in House bill; private companies' share of compensation committed to social-economic improvements in Dominican Republic)

ENTIRE U.S. REPAYMENT TO GO DIRECTLY TO DOMINICAN GOVERNMENT

WASHINGTON, D.C., June 19.—The House of Representatives today passed a new 5-year Sugar Act providing for the direct return by the United States to the Dominican Republic of nearly $23 million in special entry fees which were levied on special Dominican sugar shipments to the United States in 1960–61. This compensation had previously been recommended to the Congress by G. Douglass Debevoise, president of the South Puerto Rico Sugar Co., a major producer in the Dominican Republic. Mr. Debevoise testified at the May sugar bill hearings of the House Committee on Agriculture.

South Puerto Rico Sugar Co.'s proposals specified that the compensatory payments go directly to the Dominican Government, with privately owned sugar companies in the Republic receiving their share of the repayment from the Dominican Government in pesos, thus foregoing any direct payments in dollars. Under this plan, the companies will use the compensatory funds for additional construction of workers' homes and for roadbuilding, after payment of Dominican taxes and payments to the colonos, or small cane farmers in the Republic.

The private companies and the Republic are now committed to agreements that closely parallel these recent proposals to Congress by the president of the South Puerto Rico Sugar Co.

Projects designed to advance Dominican social and economic development and costing over $2,500,000 will be financed by the South Puerto Rico Sugar Co., if the firm's proposals, now adopted by the House, are enacted into law by the Senate. The company, through the South Puerto Rico Sugar Co. Trading Corp., a subsidiary, is due a compensatory payment of $6,885,861. Of this amount, Dominican cane farmers would be paid over $331,000 in Dominican pesos, and taxes paid to the Republic Government would account for approximately one-half of the recovery. The balance of over $2,500,000 would be used to implement an agreement for Dominican economic and social development made earlier this year between the South Puerto Rico Sugar Co. and the Dominican Government.

The special entry fees of $22,755,153.69 on Dominican sugar shipments to the United States covered only extra, nonquota exports which Dominican sugar producers made available and shipped to the United States when Cuban sugar imports to the mainland were halted. The special fees began at the rate of 2 cents per pound in September 1960, and advanced to 2¼ cents a pound in January 1961. The fees were paid in advance by producers of Dominican sugar. Special Dominican sugar exports to the United States terminated in March 1961, and the entry fees automatically ended.

Lawsuits pertaining to the special entry fees against the U.S. Government by South Puerto Rico Sugar Co. Trading Corp. and other Dominican producers now are pending in the Washington, D.C., Court of Claims. The companies have indicated that these suits for recovery, which allege that the entry fees were imposed without proper authority, will be dropped if the compensatory features of the House Agriculture Committee's bill are included in the final Sugar Act.

Senator FULBRIGHT. Did you get along with the Trujillo regime pretty well before it was ousted?

Mr. DEBEVOISE. We had to get along with it. I met him once in my life, in all the 6 years I was down there.

Senator FULBRIGHT. Well, I believe that is all I have, Mr. Chairman.

Mr. DEBEVOISE. Could I make one observation?

Senator FULBRIGHT. I think, however, it might be useful—since I have referred to it—if it does not burden the record too much, to put in this statement relating to the South Puerto Rico Sugar. It is the standard listed stock reports—it is not very long.

Senator DOUGLAS. That will be done.

Senator FULBRIGHT. It reflects great credit upon the president, because they were obviously managed most efficiently to make money during this trying period.

Mr. DEBEVOISE. We worked hard, sir.

Senator FULBRIGHT. You are very efficient at it, that is obvious.

(The document referred to follows:)

SOUTH PUERTO RICO SUGAR

[From standard listed stock reports—Standard & Poor's Corp., Apr. 23, 1962]

Stock [1]	Approximate price	Dividend	Yield (percent)
Common	32½	[2] $1.00	3.1
$2 preferred	31¾	2.00	6.3

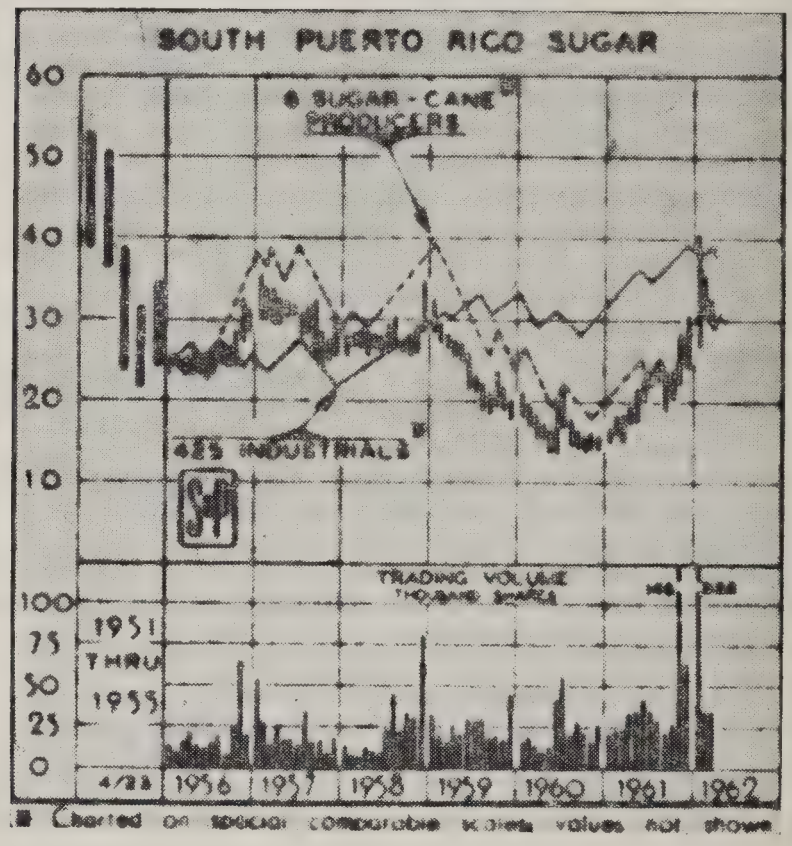
[1] Listed New York Stock Exchange common also traded Philadelphia-Baltimore Stock Exchange.
[2] Paid in fiscal 1961.

Recommendation: One-fourth of this company's production is in Puerto Rico, which benefits from the U.S. Sugar Act, while the other three-fourths, in the Dominican Republic, is largely exposed to the uncertainties of the world market. Crop prospects in both areas are favorable, and with U.S. diplomatic relations resumed with the Dominican Republic, shipments of Dominican sugar are expected to be up substantially and will not be subject to special import fees as in 1961. There are political uncertainties in the Dominican Republic and also as

to U.S. sugar legislation, but with still higher earnings in prospect for 1962, speculative holdings in the common and preferred may be retained.

LATEST EARNINGS

In the fiscal year ended September 30, 1961, the value of sugar and molasses produced, including adjustments arising from liquidation of prior crop, was almost 21 percent higher than in fiscal 1960. However, the gain in total sales was held to 18.2 percent as a result of the decline in sales of furfural. Generally favorable weather conditions contributed to the production of record sugar tonnages at the Central Guanica mill in Puerto Rico and at the Central Romana mill in the Dominican Republic. The proportionately lower cost of making sugar in such large volume, plus larger sales in the United States, offset the effect of low selling prices in the world market. As a result, profit margins were the widest in 4 years, and operating income advanced 35.8 percent. Earnings before provision for taxes gained 58.1 percent. After U.S. and foreign income taxes at 51.1 percent, as against 56 percent in fiscal 1959–60, final net rose 75.8 percent. Net income in 1959–60 was before a net refund of $266,121 from employees' retirement plan, equal to $0.26 a common share.



PROSPECTS

Near term: Crop prospects are favorable, and the company will participate fully in the allocation of 421,122 tons of nonquota Dominican sugar for import into the United States in the 6 months through June 30. Such sugar commands a premium over that sold on the world market, but a firm estimate of sales for the fiscal year ending this September 30 is not feasible since such a large proportion of total sales will be made at depressed world prices.

Wage costs on Dominican operations are up substantially, but 1961–62 earnings are expected to better the $3.25 a common share of 1960–61 (which compared with $1.68 in 1959–60) particularly since large nonquota imports of Dominican sugar will not be subject to the special entry fees which held down earnings gains last year. There is no set dividend policy. The most recent payment was $0.40 on March 30, 1962, bringing the total to date in 1961–62 to $0.65. Dividends for all of 1961–62 are likely to exceed the $1 paid in 1960–61.

Long term: The plant improvement program, now in its second stage, favors a higher profit potential for Puerto Rican operations. Restoration of diplomatic relations brightens the Dominican outlook.

RECENT DEVELOPMENTS

On September 21, 1961, legal proceedings were instituted in the U.S. Court of Claims to recover $6,885,862 in special fees paid on the importation of nonquota Dominican sugar into the United States between October 18, 1960, and March 23, 1961.

DIVIDEND DATA

Note agreements limit common dividends to 70 percent of available consolidated net earnings after October 1, 1958, provided net working capital is maintained at not less than $14.5 million.

Amount of dividend (dollars)	Date declared	Ex-dividend date	Stock of record	Payment date
0.30	May 23	June 7	June 12	July 1, 1961
.40	Aug. 22	Sept. 6	Sept. 11	Sept. 30, 1961
.25	Nov. 28	Dec. 6	Dec. 11	Jan. 2, 1962
.40	Feb. 15	Mar. 7	Mar. 12	Mar. 30, 1962

SOUTH PUERTO RICO SUGAR CO.

Income statistics (in millions of dollars) and per share (dollar) data

Year ended Sept. 30—	Total sales [1]	Percent operable, inclusive of sales	Maintenance and repairs	Depreciation and amortization [2]	Net before taxes	Net income [3]	Common [4]			Price range [6]	
							$2 preferred earnings [5]	Earnings [3]	Dividends paid	$2 preferred [5]	Common [4]
1962									0.65	33 -29¼	40½-27
1961	41.03	26.1	3.12	3.24	7.62	3.72	18.61	3.25	1.00	31½-27¼	30¾-15⅜
1960	34.71	22.7	2.77	3.20	4.82	2.12	10.60	1.68	.60	30¼-25	21 -14
1959	35.79	19.7	2.81	3.03	4.22	1.76	8.80	1.33	.90	35½-29½	32¾-18
1958	25.82	8.8	2.67	2.03	.87	[7] 1.12	[7] .61	[7] .51	1.75	36 -32½	34¼-25⅝
1957	43.07	28.6	2.52	1.97	11.10	5.87	29.35	5.36	1.73	35⅝-30	35⅛-24½
1956	34.53	20.1	2.24	1.64	5.76	3.13	15.64	2.67	1.73	40½-33	32⅝-22½
1955	29.04	18.6	1.48	1.39	4.10	2.43	12.16	1.99	1.45½	40¼-35	34¼-24¼
1954	30.99	13.5	1.78	.90	3.58	1.83	9.15	1.40	1.63½	40 -34	31½-21⅝
1953	28.49	15.5	1.76	.85	4.68	2.69	13.45	2.24	2.91	40 -33	38¾-23⅞
1952	37.07	29.6	1.70	.81	.91	6.24	31.18	5.69	5.09	42⅞-36	50¼-36¾
1939	10.41	23.5	.49	.70	2.44	1.98	9.88	1.54	1.09	35¼-31¼	25⅝-10¼
1938	11.08	18.3	.56	.73	1.50	1.24	6.18	.82	2.22	35¼-32	20⅜-11¼
1937	14.01	25.0	.55	.75	2.98	2.54	12.69	2.09	2.36½	38¾-32½	30⅞-14⅞
1932	13.97	25.8			2.66	2.29	11.46	1.85	Nil	28⅛-21⅝	13⅝- 3⅜
1929	15.24	23.2			2.45	2.28	11.39	1.84	1.82	33¾-28½	32¾-16½

[1] Including sugar and molasses products, sundry receipts and futural sales after 1954.
[2] Depreciated only between 1955.
[3] Excluding nonrecurring of $1.35 a share in 1957, $0.81 in 1958, and $0.26 in 1960; before special charges of $1.59 in 1959.
[4] Adjusted for stock dividends of 25 percent in 1955 and 10 percent in 1957.
[5] Adjusted for 4-for-1 stock split in 1947; dividends paid regularly.
[5] Less reserves.
[6] Calendar years.
[7] Deficit.

Pertinent balance sheet statistics

[Millions of dollars]

Sept. 30—	Gross property	Capital expenditures [1]	Cash items	Inventories	Receivables	Current		Net working capital	Current ratio assets to liabilities	Long-term debt	(Dollars) book value commercial shares [2]
						Assets	Liabilities				
1961	66.84	1.37	9.5	4.10	1.89	19.52	4.40	15.12	4.4–1	6.80	47.30
1960	66.09	2.17	6.2	3.80	1.74	16.28	4.21	12.07	3.9–1	7.20	44.74
1959	65.59	2.78	3.8	2.02	2.76	13.60	3.79	9.82	3.6–1	7.60	43.67
1958	64.08	6.37	1.2	3.38	2.96	13.08	3.84	9.24	3.4–1	8.00	44.50
1957	59.10	12.26	5.2	4.01	2.55	15.08	9.58	5.50	1.6–1	Nil	45.90
1956	51.06	3.24	3.5	7.71	2.52	17.02	6.38	10.64	2.7–1	Nil	40.73
1955	48.15	3.48	4.8	5.17	3.35	15.21	3.82	11.39	4.0–1	Nil	39.78
1954	45.31	5.82	6.4	7.92	1.73	17.34	3.69	13.64	4.7–1	Nil	39.23
1953	40.48	2.36	11.3	6.61	1.81	21.19	3.26	17.93	6.5–1	Nil	39.46
1952	38.30	1.49	15.7	7.40	1.58	24.70	8.49	16.21	2.9–1	Nil	39.87

[1] Including renovation expenses in 1958 and subsequently.

FUNDAMENTAL POSITION

Most of this company's operations are in the Dominican Republic, which accounts on average for about three-fourths of its production, marketed principally in England. However, in the fiscal years 1960 and 1961 substantial additional tonnages, as a partial replacement of the former Cuban quota, were exported to the United States . Importation of a large part of the company's Dominican output has been authorized by the United States for the period January 1 to June 30, 1962, when the present Sugar Act expires. Puerto Rico production, which makes up more than one-fourth of total output, is shipped duty free to the United States.

Puerto Rican properties include 450 acres near Guanica, a mill with annual capacity of over 100,000 tons of raw sugar and a refinery with annual capacity of 15,000 tons.

In the Dominican Republic, Central Romana Corp., a subsidiary, owns 300,000 acres, of which 110,000 are in cultivation, a raw sugar mill with annual capacity of 300,000 tons, and a refinery with an annual capacity of 30,000 tons of refined sugar. Magdalena Development Corp. has 20,000 acres planted in cane. Central Romana By-Products Co. produces furfural from bagasse. E. I. du Pont is under contract through 1965 to purchase two-thirds of output with an annual option to buy the remainder.

During the 1961 crop season, the Puerto Rican subsidiary produced 100,050 tons of raw sugar, against 73,434 in 1960, while Dominican subsidiaries produced 316,533 tons, against 240,614. Puerto Rican refined sugar output was 18,148 tons in 1961, and 17,871 in 1960. Dominican refined output amounted to 6,328 tons in 1961 and 24,564 in 1960.

Dividends, paid since 1934, averaged 54 percent of available earnings in the 5 years through September 30, 1961.

Employees: 9,000 to 16,000 depending on the season. Shareholders: 953 preferred; 5,321 common.

FINANCES

The company borrowed $8 million in September, 1958, to relieve the drain on working capital resulting from extensive capital expenditures in recent prior years.

As a result of a conservative dividend policy and close control of capital outlays, the working capital position at September 30, 1961, was at the highest fiscal year-end level in eight years.

CAPITALIZATION

Long term debt: $6,800,000.
$2 Preferred stock: 200,000 shares ($25 par); nonredeemable.
Common Stock: 1,022,966 shares ($5 par).

Senator FULBRIGHT. Thank you.

Mr. DEBEVOISE. Could I say one thing, since you are not going to be here tomorrow.

Senator FULBRIGHT. Certainly.

Mr. DEBEVOISE. You made one observation that upset me very much, and I wish to indicate my feeling about it.

Believe me, Mr. Senator, if you had been down in the Dominican Republic early last fall and early this spring, when you got shut in your office and you could not get out to go to lunch, and you had to get troops to drive away the Castro leftists, and when we saw fellows hung—we have had 30 strikes this year, and 400 cane fires—you would never make the remark that I would ever for a quota want to keep Castro in power. We are 60 miles from Cuba, which is nearer than you are here to Richmond. You can take all the quota any time you want if we get rid of Castro, because he is going to wreck South and Central America unless we are very careful. And believe me, I do not want you to ever think that about me. Maybe I am making too much money—I do not think I am. But believe me, I do not want a

quota that badly, Senator, ever. Please let me tell you that, as I will not see you tomorrow.

Senator FULBRIGHT. What would be your situation really? You are an expert in this field. If the administration bill is adopted—you clearly could compete, if I understand the record—you could compete. You would have a great advantage over these people far removed.

Mr. DEBEVOISE. No, sir.

Senator FULBRIGHT. Why can't you, when you did show very substantial profits when you did not?

Mr. DEBEVOISE. Sir, you heard what I said about the increase in costs which occurred—and this is part of what the bill calls for. The bill says it is designed to improve the standard of living in South and Central America. These wages, of course, were put in too fast. This Government is a naive, honest government, and it is a good government. I hope they last. They put in the wages too quickly. They certainly put them in in anticipation of a fair share of the U.S. quota. Domingo has no other subsidized market. We have nothing. We have a chart there, Senator Douglas, which shows that Domingo, with the exception of Taiwan, has more sugar remaining, after the quota fixed in the House bill. In other words, we have plenty of sugar.

Now, what I would have to do if this administration global quota bill went through is this. I would have to cut back my production. In other words, I do not have any place to sell it, and I cannot afford to produce at these prices.

The representative of the Dominican Republic will testify tomorrow. He will tell you what they have to do. Those mills owned by the Government now, taken over from the Trujillo families, probably are not quite as efficient as ours. Their costs are higher. Many mills would have to be closed. You would have a gerat deal of unemployment there. You know what happens with unemployment. We have to cut down.

I think the country would go Castro. Any intervention which we do—because I think the State Department is determined to save Domingo—would be much higher than $135 million—much higher. We wouldn't attempt to sell you sugar. We could not.

Senator FULBRIGHT. You sold a lot of it other places for quite a while, did you not?

Mr. DEBEVOISE. Yes. But our costs today, sir, are somewhere in the neighborhood of 3.40. The world market today is 2.65.

Senator FULBRIGHT. Well, clearly, if the United States entered the world market, it would have some effect upon the world market. It would not stay at 2.65, would it?

Mr. DEBEVOISE. I am not at all sure about that.

Senator FULBRIGHT. You heard the preceding witness. He indicated there would be a shortage of sugar.

Mr. DEBEVOISE. Well, I did not agree with him. You remember today Mr. Morton made a remark, but he did not carry it through. You know over 200,000 tons of refined sugar was sold into Great Britain this year at 2½ cents—refined sugar. And in the remarks of the chairman of Tate & Lyle, he said it is obviously part of a Russian plan to take over the refined sugar business of Europe.

The Communist will control the world market, they will run the price up and down as they see fit. Today the prices have been lower since Cuba has been out of the world markets than ever before—than they have been in years—not that they have ever been. I subscribe to what Mr. Chapman said. I think at your price you would get some sugar for a while, but I think you would have difficulty. And I do not know how you would work global quotas.

Nobody has been able to tell me how it works.

Senator FULBRIGHT. Well, it would be available. We would be bidding for it. We would get it. If it went up, it would reach the same result as you say. What really amazes me about some of our business people, who I am sure in other circumstances are all for free enterprise and the competitive system—but when it comes to sugar, that's the last thing anybody wants. This is controlled and subsidized and the opposite of free enterprise. I bet you are for free enterprise at home?

Mr. DEBEVOISE. Sir, I will take free enterprise at any time. If you take the subsidy off all the sugar produced in the United States, you do not need to give me any subsidy at all.

Senator FULBRIGHT. I have always been for that.

Senator DOUGLAS. So have I.

Mr. DEBEVOISE. I cannot see how Senator Douglas is right, because under the administration bill the consumer is going to pay the same price, because the Treasury just takes it out of me, and it goes back in aid. And I would rather have trade than aid.

Senator DOUGLAS. At least the taxpayers will get relief.

Mr. DEBEVOISE. I hadn't thought of that.

Senator FULBRIGHT. You are a taxpayer, too, are you not?

Mr. DEBEVOISE. Darned right.

Senator FULBRIGHT. That's all. I apologize.

Senator DOUGLAS. Not at all.

Will it be convenient for you to return tomorrow morning?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. Very good. Our next witness is Mr. Rocco Siciliano on behalf of the Sugar Association of San Salvador. Please proceed, Mr. Siciliano.

STATEMENT OF ROCCO C. SICILIANO ON BEHALF OF THE SUGAR ASSOCIATION OF EL SALVADOR

Mr. SICILIANO. Mr. Chairman and members of the committee, my name is Rocco C. Siciliano. I am a member of the Washington law firm of Wilkinson, Cragun & Barker. I represent the Sugar Association of El Salvador (Association Azucarera de El Salvador). This statement is supplemental to that previously filed with this committee on pending sugar legislation now before it. El Salvador generally favors H.R. 12154, the Sugar Act Amendments of 1962, as passed by the House. While a basic quota of 10,000 tons is allotted to El Salvador in that measure, it falls short by an equivalent amount of the basic quota requested. To enable full employment of the workers in every segment of the sugar industry a basic quota of 20,000 tons is essential for El Salvador. A quota of only 10,000 tons will compel the layoff of thousands of workers. This must be avoided.

The committee is reminded that until 1955 El Salvador was a basic quota country. That year, because of the pressing sugar requirements of neighboring Honduras, El Salvador diverted shipments of sugar from the United States to Honduras only after receiving advance clearance and assurances from the Foreign Agricultural Service of the U.S. Department of Agriculture through the U.S. Embassy in El Salvador that "El Salvador never loses the quota assigned to her." Subsequently, and to its great astonishment and dismay, El Salvador was dropped from its status of a quota country for failing to meet its quota. The exchange of correspondence which led to this loss of quota is attached as an appendix to this statement.

El Salvador is a small country. It is the most densely populated continental American country, with a population of approximately 2,700,000 and 323 inhabitants per square mile. The population increases at the rate of 3.5 percent each year. Its economy is basically agricultural. Because of this dependence on agriculture and in view of the limited land resources, the country is engaged in intensive methods of land cultivation for the purpose of obtaining a greater yield per acre to feed its growing population. Considering El Salvador's diversification efforts, the availability of an adeqaute export outlet for sugar in the U.S. market becomes a matter of special importance. Failure to obtain such an outlet in the United States for the requested 20,000 tons would cripple the task of diversifying El Salvador's economy and of reducing its present major dependence on coffee. The annual population growth expressed in other terms means that each year many thousands of workers are thrust upon the labor market. If serious economic and social dislocation and upheaval are to be avoided, this constantly growing labor force must be given a means of earning a livelihood. The sugar industry, 100 percent owned by citizens of El Salvador, constituting El Salvador's fourth largest industry, and directly employing from 30,000 to 35,000 persons, affords a material outlet for a large share of this labor force growth. Therefore, while the requested quota of 20,000 tons is small by U.S. standards, it does in fact mean for El Salvador the difference between orderly economic and social development and economic and social collapse.

It is only natural that the Congress of the United States should want to be informed of the self-help measures which every sugar exporting country is willing to undertake before the benefits of U.S. sugar legislation are conferred upon it. In this regard, the small country of El Salvador can hold its head among the highest. It would be self-serving, perhaps, to make this statement without any corroboration on the part of the United States itself. Here are the words of the Honorable Teodore Moscoso, U.S. Coordinator for the Alliance of Progress, in a Chicago address, June 4, 1962.

> Tomorrow, I shall leave on a brief trip to El Salvador, where the United States will be opening a Trade Fair, designed to stimulate commerce between the two countries and thus help the Alliance in another important way.
>
> That small Central American country has already taken a number of steps of the kind that are contemplated and needed to make the Alliance for Progress work. Most recently, El Salvador's lawmakers adopted a bill establishing a National Council of Economic Planning. We are aiding the Council, which has contracted the services of a U.S. consultant firm to help draw up a sound national program of economic and social development. El Salvador also has enacted other laws designed to carry out social and economic reforms designed

to bring about a fairer distribution of the country's wealth. We for our part have granted funds for a countrywide school building and teacher training program so that large numbers of children who otherwise would not be able to attend school may have their chance to get an education. And we are aiding in other development programs. *Here is a case where a government has recognized and acted on the principles underlying the Alliance—and where a real opportunity exists for rapid strides in development.* [Emphasis added.]

Mr. Moscoso has not overstated the case.

The Department of State in a statement submitted to the House Foreign Affairs Committee during the March 1962 hearings on the Foreign Assistance Act of 1962 declared:

The Government of El Salvador has possibly gone as far as any government can go in the last year in wholeheartedly attempting to undertake whatever might be deemed needed to "accomplish tax reform."

Among specific examples which can be cited are the following which took place during 1961, for example:

(1) Law to provide remunerated rest on Sunday for rural laborers: Decree No. 40 established compulsory Sunday rest for all rural workers; as well as the obligation that the employers have to remunerate such rest with a minimum wage of 60 cents for each working day.

(2) Amendments to the leaseholding law: Decree No. 80 established that the rent paid for dwellings(tenement houses) inhabited by low income persons should not exceed two-third of the last rent paid in the year of 1957.

(3) Law for the protection of the salary: Decree No. 123 provides that salaries should be paid out in a timely, integral and personal way. This was done in order to protect the workers against speculation.

(4) Law providing minimum wages for commercial employees: Decree No. 160 established that a basic minimum salary to be earned by commercial employees rendering their services in establishments whose assets are larger than $4,000 shall not be less than $1.20 per day. This applies to daytime shifts.

(5) Law for the protection of rural workers: Decree No. 190 provides that rural laborers will render their services by means of individual labor contracts. Such contracts outline the duties and the rights of employers and employees. It also provides holidays with remuneration, paid annual vacations, and the minimum housing and nutritional requirements that employers have to supply to his workers at their own expense.

(6) Amendments to the income tax law: Decree No. 300 amends the income tax law. This law determines that the taxation of income shall be made more equitable for the different economic sectors. Basically, these amendments diminish the amount paid by low income taxpayers and substantially increases the taxes to be paid by high income groups. Taxation for medium bracket groups has remained unchanged. This income tax law is the highest one in Latin America.

(7) In addition, in order to channel and coordinate the general ecoonmic policy of the country with the national monetary policy, so that they can both function toward improvement of the national welfare, and in order to give the public a greater voice in fiscal policy and management, the Government saw the need to introduce the following changes:

(*a*) The Central Reserve Bank, which had been under private ownership is now under public ownership. This was accompanied with substantial authority given to the Central Reserve Bank so that now it is in a better position to alter the reserve requirements of the commercial banks; and to control credit quantitatively and qualitatively. All these changes are in agreement with the rules of the International Monetary Fund.

(*b*) The Salvadorean Coffee Co. (Compania Salvadorena del Cafe) an institution established in 1942 for the purpose of improving the coffee industry in all its aspects, has been recognized as well. The Salvadorean Coffee Co. operated since its beginning as a private corporation. The Government now has an active voice in its operations by appointing directly, two members in the board of directors; other two members are elected by the stockholders. The fifth member is elected by the four directors from a list of persons submitted by the board of directors of the Central Reserve Bank.

Translating these social and economic reforms into terms respecting sugar workers, it may be stated that these wages have been doubled.

It is precisely because El Salvador is cooperating fully with the United States in adopting the social and economic reforms essential to the Alliance for Progress that the sugar quota premium must be retained and El Salvador be allotted the requested basic quota of 20,000 tons. Without such a quota it will be difficult, if not impossible, to continue the reforms already instituted. This is so not because of any lack of desire on El Salvadore's part to cooperate with the United States in every respect. It will take place because of the economic and social disruption and burden caused by the resultant layoff of thousands of sugar workers, which necessarily would follow.

In this connection, I would like to point to the impact upon the sugar industry of economic and social reforms already instituted. The labor costs in cutting sugarcane in 1962 are twice as high as they were in 1960 or previous to the institution of the social reforms. The entire cost of producing sugar has increased by 46 percent. Today the local direct tax on sugar has doubled. The corporate tax has been tripled. All these changes have come about as a result of the prodding of the United States and the goodwill of El Salvador in carrying through with these reforms.

Is it prudent for the United States to be pushing for social and economic reform in the Alliance for Progress and then in sugar legislation to make it impossible for the sugar industry to bear its share of its reforms? Should El Salvador be penalized in sugar legislation because it has undertaken social reforms desired by the U.S. Congress and the Alliance for Progress? This is precisely what will happen if the quota premium system is not retained and El Salvador is not allotted the 20,000-ton quota it has requested. Indeed, without the sugar legislation as here recommended, the Alliance for Progress will be lacking in an essential underpinning from the private enterprise factor of the country.

In Latin America, everything the United States does—every program that it conducts, every policy that it enunciates—is considered part of the Alliance for Progress. The Alliance for Progress is not considered in its restricted terms as contained in the Foreign Aid Act. It is the totality of U.S. effort toward Latin America in this new

decade of development that is considered to be the Alliance for Progress. Sugar legislation must be considered in that context. I therefore urge this committee to weigh carefully the foreign policy implications of the sugar legislation now before it. Weigh carefully the views of the Latin American sugar exporting countries. Weigh carefully the disastrous impact which would uniformly and necessarily follow the elimination of the quota premium. Weigh carefully the feeling that has been engendered in Latin America that the United States has embarked on a full-scale program for Latin America while at the same time in the House bill before you, countries outside the Western Hemisphere are allotted large slices of sugar quotas.

The rich will not be made richer by the Sugar Act. One thing is certain—if the House bill is not adopted (with the changes suggested) the poor will be made poorer. With a basic quota of 20,000 tons allotted to El Salvador, the poor workers will be able to improve their standards of work and living and the thousands of small growers will be afforded an opportunity to partake of the benefits of an enlightened U.S. sugar program.

Because of the priority concept of the Alliance for Progress it is requested that basic quotas be assigned only to friendly countries of the Western Hemisphere. The Philippines, because of its special status, of course deserves special treatment. Should, however, this recommendation not be adopted and should the House provision of 1.5 million tons reserved for Cuba be increased—which El Salvador opposes—it is recommended that the small sugar producing countries of Latin America be granted the quotas which they have requested, including a basic quota of 20,000 tons for El Salvador, a former quota country.

In conclusion and in summary, El Salvador strongly favors H.R. 12154, now before this committee, with the exception that it urges the allotment of basic quotas only to countries of the Western Hemisphere including a basic quota of 20,000 tons for El Salvador rather than the 10,000 tons contained in the House measure.

El Salvador is anxious to continue its social and economic reforms already instituted pursuant to the Alliance for Progress. Many of these reforms will have to be abandoned unless the sugar industry, a vital economic activity of the nation, is given an opportunity to sell its product to the United States at the requested level.

Further, unless the desired quota of 20,000 tons is granted, unemployment in a growing population will be rampant, serious dislocations and disorder will take place and the promise and hope for the Alliance for Progress will have been nullified.

It is realized that these are strong words and that their import is serious. But it is imperative that this committee be informed of the views of El Salvador, which, though small, looms large as the outstanding country in Latin America which has fully cooperated with the United States in the Alliance for Progress.

(The appendix accompanying Mr. Siciliano's statement follows:)

APPENDIX

EL SALVADOR, A FORMER QUOTA COUNTRY

There follows exchange of correspondence in 1955 between the Sugar Producers Association of El Salvador and the Foreign Agricultural Service, U.S. Department of Agriculture, and the U.S. Department of State.

El Salvador was asked to supply sugar to neighboring Honduras because of a short supply there. El Salvador was anxious to fulfill its commitments under its quota to the United States and, of course, not to lose its quota. Therefore, it requested prior approval from the U.S. Government to divert sugar intended for the United States to Honduras.

The correspondence which follows indicates beyond any question why El Salvador was justified in diverting the sugar in this way under the assurance given that it would never lose its quota status.

In fact, El Salvador was dropped that year from its position as a quota country because it did not fulfill its quota commitment.

In view of the facts disclosed in the correspondence which follows, it is respectfully submitted that El Salvador deserves to be reinstated as a quota country.

THE FOREIGN SERVICE OF THE UNITED STATES OF AMERICA,
EMBASSY OF THE UNITED STATES OF AMERICA,
San Salvador, El Salvador, August 1, 1955.

Mr. CARLOS SALAZAR,
Manager, Cooperativa Azucarera Salvadorena, Ltda.,
San Salvador, El Salvador.

DEAR MR. SALAZAR: As a result of your inquiry made to the Embassy a few weeks ago, there are attached questions and answers on sugar which have been forwarded to the Embassy from the U.S. Department of Agriculture for transmission to you.

Very truly yours,

A. B. HORN, Jr.,
Commercial Attaché.

U.S. DEPARTMENT OF AGRICULTURE,
FOREIGN AGRICULTURAL SERVICE,
Washington, D.C., July 28, 1955.

Sr. CARLOS SALAZAR,
Manager, Cooperative Azucarera Salvadorena Ltda.
San Salvador, El Salvador.

DEAR SENOR SALAZAR: At the request of Mr. Claud Horn, agricultural attaché, American Embassy. there are attached questions and answers on problems concerning sugar which we understand are of interest to your office.

It has been a pleasure to be of service.

Sincerely yours,

STEWART P. WANDS,
Acting Chief, Sugar and Tropical Products Branch.

1. Does there exist a U.S. quota for purchase of El Salvador sugar? Yes.
2. What is the quantity of the quota? 4,136 short tons of raw sugar only.
3. Should such a quota exist, can El Salvador partially fill that quota without risk of losing the unused portion o fthe quota? El Salvador never loses the quota assigned to her. While the quota may be prorated to other countries if it appears that it will not be filled, this would not prevent El Salvador from shipping her full quota at a later date.
4. What is the period of the quota? When does it begin and end? The U.S. Sugar Act is on a calendar year basis—January 1 to December 31.
5. When are unused portions of quotas reallocated to other potential suppliers? Unused portions of quotas are reallocated at the discretion of the Secretary of Agriculture. Again we note that this would not prevent the shipment of raw sugar from El Salvador to the extent of 4,136 short tons . We also note that as of May 19, 1955, there were no charges against El Salvador's sugar quota for 1955.

Senator DOUGLAS. Thank you very much Mr. Siciliano.

Our next witness is Mr. Sheldon Z. Kaplan, counsel to Guatemala Sugar Producers Association.

Please proceed, Mr. Kaplan.

STATEMENT OF SHELDON Z. KAPLAN, COUNSEL TO GUATEMALA SUGAR PRODUCERS ASSOCIATION

Mr. KAPLAN. Mr. Chairman and members of the committee, my name is Sheldon Z. Kaplan. I am a practicing attorney here in Washington. I appear as counsel to the Guatemala Sugar Producers Association.

During thee 1956 hearings before this committee in its consideration of the Sugar Act extension, Guatemala stated that she was not requesting a quota at that time, but would in 1960. I am grateful to you, Mr. Chairman and members of the committee, for affording Guatemala an opportunity to present the views of the Guatemala Sugar Producers Association in support of the basic quota of 20,000 tons allotted to Guatemala in H.R. 12154.

Production in Guatemala for 1962 has been limited to 110,000 tons, with local consumption estimated at 85,000 tons, leaving 25,000 tons for export. For 1963, the productive capacity is estimated at 130,000 tons, with domestic consumption expected to be 87,000 tons, leaving 43,000 tons which could be shipped to the United States. There is, thus, no question as to Guatemala's ability to fulfill a minimum basic quota of 20,000 tons.

Let me say right from the outset that Guatemala urges that the present quota premium system, or the subsidy, be retained in the U.S. sugar program and that the House bill be adopted by this committee. If any changes are to be made in this bill, I strongly recommend that the inclusion of new countries within the quota premium system be limited to the Western Hemisphere. Relations with Latin America have been declared to be our Nation's top priority in foreign affairs. There is a wave of rising expectations in Latin America as to a better life, but the peoples of that area want tangible evidence that the United States will help them fulfill those expectations. The sugar quota premium system applied as it is in the House bill to all the sugar exporting countries of this hemisphere will be the essential base so essential to the success of the Alliance for Progress. Why? Because it will have an immediate impact on the economies of all the countries involved and the welfare of the workers.

Why should the present quota premium system be retained? The answer is essentially a simple one: It has worked well. Insofar as foreign producers are concerned, they regard this program as an effective program in the mutual interests of their respective countries and the United States. Indeed, it is sound international trade and sound foreign policy.

Let's make no mistake about it: Latin America is in turmoil, coffee prices have sagged, the Alliance for Progress is lagging behind, and the destructive and subvertive forces of communism grow stronger in that area. To drastically revise the U.S. sugar program and eliminate the quota premium system at this crucial juncture in inter-American relations does not make sense. I urge this committee, which

I know is anxious to improve U.S. relations with Latin America, not to make a revision in the House bill which can only bring about a rapid deterioration of those relations.

Certainly the Sugar Act has brought about employment for the workers, food and shelter for their families, and given them some sort of faith in a tomorrow. Further, it enables the smaller producers to participate more effectively in an important segment of their nation's economy. As far as Guatemala is concerned, every 2 tons of sugar will guarantee work for one worker and his family. Putting it another way, a quota of 20,000 tons for Guatemala will guarantee work for 10,000 workers and their families. On the basis of an average family of 5, this would mean a total of 50,000 people directly affected by the U.S. sugar program.

I have personally witnessed in Guatemala the impact which the Sugar Act has had on the conditions of the sugar workers—within a matter of only 1 year—new schools, new clinics, nurseries, more widespread religious activities, playing fields, and other recreational facilities. In one Guatemalan sugar plantation, El Salto, for example, a nurses training course instituted there is being used as a model by the Government. This is a case of technical assistance by Guatemalan private enterprise, the sugar industry, to the Government of Guatemala. I have cited an example in Guatemala, but I know that similar social and economic progress is taking place elsewhere in Latin America through the initiative of the respective sugar industries. All this has been made possible by the quota premium price of sugar paid by the United States. Is it any wonder that there is such widespread opposition to the global quota scheme voiced not only by the growers, planters, and processors but also the workers themselves in every sugar exporting country of Latin America.

Guatemala has 10 sugar mills which are supplied by 219 cane sugar growers, owners of the producing sugarcane plantations, and by 5 cooperatives which are the result of the agrarian reform promoted by the United States. Directly dependent on the sugar industry are 1,433 families (mills and plantations) and 22,000 families of workers in the industry.

Mr. Chairman and members of the committee, there seems to be some tendency in U.S. relations with other countries to take friends for granted and to be sympathetic to those on the fence, and at times to those even hostile to us. We have paid lipservice in eloquent words to the need for strengthening inter-American bonds of friendship, but words, unfortunately, are not enough. Now I am not one of those who believes that friendship is friendship only so long as the poorer friend receives help from the richer friend. I am confident that Guatemala will remain pro-United States, sugar quota or no sugar quota, so long as no leftist regime takes power. But the general demoralization and the adverse economic impact which would take place in Guatemala unless she is granted the quota requested would not be in the best interests of the United States as I conceive those interests. Guatemala is pro-United States, not for any economic benefit it can derive from that friendship. It is so because Guatemala stands for the same things we stand for—liberty, dignity, opportunity, courage, and adherence to principle.

It is sometimes difficult, unless one observes it firsthand, to realize fully the impact which a program such as the U.S. Sugar Act can have on a small country. This impact is not only economic but is also psychological. Both are important. The case of Guatemala in this respect is unique. Guatemala, a small country of 4 million people, has stood by the United States ever since the overthrow in 1954 of the notoriously communistic regime of Jacobo Arbenz, now consorting with the Communists in Cuba. Guatemala was one of the first to condemn the Castro regime as a Communist-dominated government. It is the first country to break off diplomatic relations with Cuba for that reason. At the recent conference of Foreign Ministers at Punta del Este, Urguay, in January of this year, Guatemala took the lead in urging that the United States take a strong stand against communism and Castro and in condemnation of both.

In addition to the obvious economic factor, there is involved the psychological factor of the inclusion of Guatemala within the program for a specific quota. I have already referred to the economic factor earlier in my statement. Such inclusion would demonstrate that the United States is concerned about Guatemala and its well-being, and I think it is very important to emphasize the word "concern" because it is one of the key motivations essential to a positive and effective U.S. policy toward Latin America. The knowledge that there is such a concern gives a government and people of a friendly country renewed strength, energy, and determination at a time when these qualities are essential to the preservation of its freedom and independence, and at a time when communism has established a beachhead in the Western Hemisphere from which it is spearheading its attack against such freedom and independence. This is particularly so with respect to Guatemala, a country which knows from bitter past experience what it means to live under a Communist regime.

The Latin American sugar-producing countries are shocked that the Department of State recommends scrapping the quota premium system for friendly foreign countries and urges in substitution the institution of import fees to be covered into the Treasury to be used for the purposes of the Alliance for Progress. While I do not know of any responsible Latin American official who does not believe in the objectives of the Alliance for Progress, as do I, at the same time we must recognize that the Alliance for Progress, eloquent as its words and promises may be, is as yet untested. The people in Washington primarily charged with the responsibility for implementing the alliance are as yet untested. Why, then, should the one outstanding and tested program that has succeeded in Latin America—namely, the existing Sugar Act—be gutted and placed, in a sense, within the confines of a program that is admittedly years away from success? One of the criticisms leveled against the foreign aid program has been that the benefits have not filtered down to the people. "We need more of a people-to-people approach" it is maintained. The Sugar Act, as has been stated, has an immediate impact on people. Even in the smallest producing country literally thousands of workers depend upon sugar for their livelihood.

Section 251, title VI, of the Foreign Assistance Act of 1962 (S. 2996), recently passed by the Senate, provides:

> It is the sense of the Congress that the *historic, economic, political,* and *geographic* relationships among the American peoples and Republics are *unique* and of *special significance* and that the Alliance for Progress offers great hope for the advancement of the welfare of the peoples of the Americas and the strengthening of the relationships among them. Accordingly, the President is authorized to furnish assistance on such terms and conditions as he may determine in order to promote the economic development of countries and areas in Latin America. [Emphasis supplied.]

This is the language as recommended by the Department of State.

Note, Mr. Chairman and members of the committee, the executive branch that wants to scrap a sugar program that has been going on between the United States and Latin America for lo, these many years, is the same executive branch which in the foreign aid bill refers to "historic, economic, political, and geographic relationships among the American peoples and Republics" as being "unique and of special significance." Certainly, we must agree with those sentiments. The Sugar Act constitutes a realistic recognition—not in mere words, but in real trade—that the United States does have historic, economic, political, and geographic relationships with our sister Republics to the south and that these relationships are indeed unique and of special significance. Let us not destroy those relationships by following the executive branch recommendations on sugar, well intentioned as I am certain those recommendations are.

I am not impressed with the State Department argument advanced during the current sugar hearings that the Sugar Act "would provide Castro with a persuasive argument that the West has deserted the Cuban people and that their economic future lies with the Communist bloc." Specifically, the request of Guatemala for a 20,000-ton quota would be made, Cuba sugar or no Cuba sugar. In the 1956 sugar hearings before this committee, as I have stated earlier, Guatemala indicated that she wasn't at that time requesting a quota but would in 1960. Certainly, this small quota and other similar quotas for relatively small producers could have little impact on Cuban sugar. Generally, insofar as the larger producing countries are concerned, it can be assumed that they understand the impact which Cuba's eventual return to the U.S. sugar market would have on them.

Back in June 1960 at the very time the Congress was considering extension of the Sugar Act, Ernesto Che Guevara, Castro's economic adviser, in a television address at Havana stated that the Cubans were being enslaved by the 3 million tons of sugar the United States was buying annually from the island. These purchases, he said, had made Cuba dependent on sugar and kept the country in a semicolonial state until Castro's revolution. Surely, Communist Cuba cannot complain, now that this so-called semicolonial status has been altered. No, Mr. Chairman and members of the committee, the record is clear and documented by the State Department itself in its white paper that Castro has deserted the Cuban people. The allotment of 1.5 million tons for a Cuba returned to the fold of free countries is fair and equitable and will never lead to any charge that the economy of Cuba is completely dependent upon U.S. purchases of Cuban sugar.

There is no reason why the United States should not expect foreign sugar suppliers to purchase agricultural products from the United

States. Guatemala favors the existing provisions of law requiring that special consideration be given to countries of the Western Hemisphere and countries purchasing agricultural commodities from the United States. Trade is a two-way street. This is only right and proper. Guatemala has purchased agricultural products from the United States under the sugar program. Guatemala continues to be ready and willing to cooperate with the United States in this respect.

For 1961, of the five Central American countries, Guatemala was the largest importer of U.S. agricultural commodities—$9.5 million worth, an amount at least twice as large as any other Central American country. Guatemala has recently signed an agreement with the United States to purchase 12,500 tons of corn for 5,000 tons of sugar.

Guatemala is the best customer the United States has in Central America. To illustrate, for the 9-month period January–September 1961, United States exports to Guatemala amounted to $45.1 million, including textile fibers and fabrics, lumber and paper, machinery and vehicles, chemical products, etc. For the same period, Guatemala's exports to the United States amounted to $43 million, leaving an unfavorable balance for Guatemala of $2.1 million.

With respect to social and economic reform in Guatemala, Hon. Teodoro Moscoso, Administrator of the Alliance for Progress program in the Agency for International Development, in his testimony before the House Foreign Affairs Committee in March 1962 on the pending Foreign Assistance Act of 1962 stated:

> Guatemala has been one of the leaders among the Central American states in social and economic reform.

Mr. Moscoso further acknowledge that Guatemala "is a leading proponent of Central American economic integration."

Guatemala, under the leadership of President Miguel Ydigoras Fuentes, is dramatically demonstrating to the rest of Latin America what can be accomplished in the field of social and economic reform under a democratic form of government and a free society. For example:

School construction: 307 schools, with a total of 1,450 classrooms, have been built in this administration, which is more than the classrooms built during the past 50 years and the cost per classroom is less than one-third of the cost of the previous ones built.

Housing construction: 3,210 houses have been built and distributed among low-income families at a per unit cost of $2,738, including land, urbanization, and overhead administrative costs. The living area is of 600 square feet and consists of three bedrooms, living-dining room, kitchen, and bathroom.

Land settlement: 26,000 parcels of land have been distributed. This plan of land resettlement is rapidly swelling the ranks of independent small farmers throughout the country. In addition to the property, the landowners are entitled to receive supervised credit with which to work their farms.

New laws in effect: (*a*) Rent law, which protects the low-income people from paying excessive rent, fixed at no more than 6 percent of the value of the property per month; (*b*) labor law: This law protects the workers in their respective jobs and from being fired without proven justification and which also entitles the worker to claim 1 month of salary per each year worked in the same firm. The

representatives of the syndicates cannot be fired; (*c*) FHA law is in operation since the beginning of 1953.

Legislation submitted for approval to the National Congress of Guatemala:

1. New agrarian reform law.
2. Penal code project.
3. Guarantee investment.
4. Law creating the free port of Matias de Galvez.
5. Civil service law.
6. Labor benefits bank.
7. Project of law concerning unproductive lands.
8. Project of law on family patrimonies and parceling of land.
9. Project of law creating the National Institute of Agrarian Transformation.
10. Project of law concerning agrarian development zones.
11. Income tax law (approved by the congress in its third reading).
12. Project of law on territorial tax.
13. Project of law creating the Housing Institute.

Potable water program: 110,000 persons have benefited with the introduction of potable water to small villages (this does not cover the capitals of the departments (States).

Malaria eradication program: Great advances have been made in this respect. In 1958 Guatemala had 37 percent of positive cases while in 1962 Guatemala only has less than 1 percent of positive cases.

Mr. Chairman and members of the committee, the sugar legislation proposed in the House bill is good legislation. The quota premium system has withstood the ravages of time and crises. Let us not abandon it. Let us not abandon our friends. Because inter-American relationships are unique and are of special significance, let us not abandon the unique and specially significant existing sugar program of the United States and let us confine the program to this hemisphere. Thank you for the privilege of presenting these views.

Senator Douglas. Thank you very much, Mr. Kaplan.

Our next witness is Mr. Frederick E. Hasler, chairman of Haytian American Sugar Co., S.A.

Please proceed, Mr. Hasler.

STATEMENT OF FREDERICK E. HASLER, CHAIRMAN OF HAYTIAN AMERICAN SUGAR CO., S.A.

Mr. Hasler. My name is Frederick E. Hasler. I am chairman of Haytian American Sugar Co., S.A., a Haitian corporation, which is wholly American owned and which is the owner of the largest sugar mill in Haiti.

We believe, first, that not only should Haiti continue to have a sugar quota, as it has had for almost 30 years, but that the size of that quota should be increased. Second, we believe that it would be disastrous to impose import fees which would have the effect of limiting the Latin American sugar producers to receiving the so-called world price for their sugar.

Last year Haiti produced approximately 83,000 tons of sugar; 30,000 to 35,000 tons is required for local use. This leaves an exportable

balance of 50,000 tons. This exportable balance of 50,000 tons can be readily maintained. Thus Haiti has a constant and close supply of sugar for the United States of at least 50,000 tons of sugar a year.

In the House bill (H.R. 12,154) Haiti received a permanent quota of 25,000 tons. We appreciate this as a step in the right direction. Last year, however, Haiti sold to the United States 45,273 tons. Thus, though our quota has been increased, our sales potential to the United States has been decreased. We respectfully request that our quota be increased to 50,000 tons.

Haiti is both a small country and a poor country but, for its size and wealth, has been a very good customer of the United States.

During the period 1957 to 1961, Haiti purchased goods from the United States in the amount of $124 million while its sales to the United States amounted to $94,400,000, leaving a balance of trade unfavorable to Haiti in the amount of $29,600,000.

In the year 1961 Haiti purchased goods from the United States in the value of $25,847,829. Its sales to the United States amounted to only $19,013,788, leaving an unfavorable balance of $6,834,141.

To assign a quota to a country, and then to impose import fees which would have the effect of limiting what could be received for the sugar to the world price, would be a meaningless gesture.

The cost of producing a pound of sugar and placing it in a warehouse in Haiti is in the order of 3.75 cents. The world price of sugar for July shipment is presently 2.7 cents a pound. Obviously we would not produce sugar for export under these conditions.

There is a common misconception that there is a great windfall to those of us who sell sugar to the United States. This is certainly not true in our case. In addition to the 3.75 cents per pound production cost, the Haitian export tax, frieight, U.S. duty, and insurance totals 2.05 cents per pound.

Thus our cost of a pound of sugar on the dock in New York is 5.8 cents a pound and the price we receive for a pound of sugar in New York today is approximately 6.3 cents. This leaves 0.5 cents per pound for salse costs, overhead, etc. and profit. In addition to this the Haitian Government imposes on income tax of approximately 40 percent of our profits. I respectfully submit that this is no windfall.

The consequences of our not being able to export sugar would be disastrous to the economy of Haiti.

Last year our company purchased cane from 11,744 farmers, providing them with their sole source of cash. We employ permanently 2,500 workers and this increases to 5,000 during the crop season. Thus we alone and directly provide for almost 17,000 families or approximately 100,000 people in Haiti. The number of others indirectly supported by our sugar production would be many times this figure. We have not attempted to provide comparable figures for the other sugar mills.

Our employees receive wages of more than $1,500,000 annually, at a rate 2½ times the national minimum wage. The minimum wage in Haiti is 70 cents a day. Our minimum wage is slightly over $1.80. This is very low by American standards but very high by the standards of this poverty-stricken Republic.

We paid $1,900,000 to farmers last year and almost $1,300,000 in taxes to the Haitian Government.

It is obvious, I submit, that if we could not export sugar to the United States, the effect on the economy of Haiti would be depressing. Economic assistance from the United States in the amount of the wages, farm income, and taxes which would be lost by this action would not begin to offset the damage to the Haitian economy.

The effect on the morale of the people of Haiti would be even more serious. There are no large estates in Haiti and the percentage of land owned by the people is the largest of any country in Latin America. The land in Haiti is owned in small parcels by many people. For them not to be able to sell the product of their land would not increase their faith in the free world's promise for the future.

The Alliance for Progress provides words of encouragement to our good neighbors to the south. Let us back up these words with trade as well as aid but let us not substitute aid for trade.

Let us not replace a sugar supply system which has worked well for almost 30 years, with a system that has already been proven inadequate—particularly at a time when the Russians could manipulate that system to serve their own needs and desires.

Senator DOUGLAS. Thank you very much, Mr. Hasler.

Our next witness is Mr. Robert L. Farrington, counsel on sugar legislation for the Republic of China.

Please proceed, Mr. Farrington.

STATEMENT OF ROBERT L. FARRINGTON IN BEHALF OF THE REPUBLIC OF CHINA

Mr. FARRINGTON. Mr. Chairman and members of the committee, my name is Robert L. Farrington, 411 Colorado Building, Washington, D.C. I am appearing today as counsel on sugar legislation for the Republic of China, one of the foreign countries which is privileged to participate in the U.S. sugar market.

The Republic is deeply grateful to the United States, particularly to the Congress and the executive departments, for this participation. I hope to present some facts, however, which will show justification for increased reliance upon China as a dependable source of sugar supply for the United States.

China recognizes, of course, that determination of the portion of the U.S. sugar needs to be supplied by domestic growers is a matter to be determined entirely by those domestic growers and the U.S. Government. However, as a longstanding friend of the United States and as one of the largest producers and exporters of sugar among the countries participating in the U.S. Sugar Act, it is submitted that China may respectfully raise a point about inequities in the formula for dividing up the total foreign quotas among the countries involved.

The Republic is thankful for the partial correction of those inequities by the House Committee on Agriculture, and the House of Representatiives in H.R. 12154. Based upon China's sugar production, however, and its capability and responsibility as a supplier of sugar, it is respectfully urged that a further increase in China's basic quota be given consideration by this committee.

The table of page 3 which follows is based on the 4-year average,

EXHIBIT "A"

STANDING OF PRINCIPAL FOREIGN COUNTRIES PARTICIPATING IN U.S. SUGAR MARKET WITH RESPECT TO U.S. SUGAR ACT OF 1948, AS AMENDED, 1956, AND H.R. 12154

	(1) AVERAGE SUGAR PRODUCTION 1957 - 1960 Inclusive In short tons	(2) AVERAGE TOTAL NET EXPORTS 1957 - 1960 Inclusive In short tons	(3) US QUOTA AT 9.4 Million Consumption Level (US Sugar Act as Amended 1956) In short tons	(4) COLUMN (3) AS % OF AVERAGE TOTAL NET EXPORTS	(5) US BASIC QUOTAS OF COUNTRIES IN COLUMN (3) AT 9.7 MILLION CONSUMPTION LEVEL (Proposed H.R. 12154) In short tons	(6) COLUMN (5) AS % OF AVERAGE TOTAL NET EXPORTS
(1)	Cuba..... 6,415,814	Cuba..... 5,931,752	Cuba..... 3,119,655	Netherlands NET IMPORTER	Cuba..... 1,500,000	Netherlands NET IMPORTER
(2)	Brazil..... 3,143,514	P.I..... 1,102,129	P.I..... 980,000	P.I..... 88.92	P.I..... 1,050,000	Costa Rica..... 572.31
(3)	Mexico..... 1,471,611	Dom. Rep..... 903,594	Peru..... 95,257	Panama..... 87.93	Peru..... 200,000	Panama..... 363.99
(4)	P.I..... 1,437,030	China..... 889,058	Dom. Rep..... 81,457	Costa Rica..... 68.96	Dom. Rep..... 200,000	Nicaragua..... 213.87
(5)	Australia..... 1,332,258	Brazil..... 745,488	Mexico..... 64,809	Nicaragua..... 61.64	Mexico..... 200,000	Haiti..... 135.21
(6)	China..... 1,000,639	Australia..... 719,471	Nicaragua..... 14,027	Cuba..... 52.59	Brazil..... 190,000	P.I..... 95.28
(7)	Dom. Rep..... 990,415	Peru..... 528,956	Haiti..... 7,014	Haiti..... 37.93	B.W.I..... 100,000	Mexico..... 84.35
(8)	Peru..... 790,921	B.W.I..... 287,471	Netherlands..... 3,660	Mexico..... 27.33	Australia..... 50,000	Peru..... 37.81
(9)	Netherlands..... 587,878	Mexico..... 237,095	Panama..... 3,624	Peru..... 18.01	China..... 45,000	B.W.I..... 34.79
(10)	B.W.I..... 319,922	Nicaragua..... 22,756	China..... 3,624	Dom. Rep..... 9.02	Nicaragua..... 30,000	Cuba..... 26.79
(11)	Nicaragua..... 63,119	Haiti..... 18,491	Costa Rica..... 3,615	China..... 0.04	Costa Rica..... 30,000	Brazil..... 25.49
(12)	Haiti..... 57,852	Costa Rica..... 5,242	Brazil..... 0	Brazil..... 0	Haiti..... 25,000	Dom. Rep..... 22.13
(13)	Costa Rica..... 50,706	Panama..... 4,121	Australia..... 0	Australia..... 0	Panama..... 15,000	Australia..... 6.95
(14)	Panama..... 25,518	Netherlands.... -183,769	B.W.I..... 0	B.W.I..... 0	Netherlands..... 10,000	China..... 5.06

NOTE: China's share outside of Basic Quota:
1960 --- 6,258 short tons
1961 --- 166,048 short tons
1962 --- 52,158 short tons
As proposed under H.R. 12154 --- 150,000 short tons

1957–60, for which the 1956 amendment to the Sugar Act was effective.

If you will look at the table you will note—

First: That China ranks only behind 5 out of the 14 countries (Cuba, Mexico, Brazil, the Philippines, and the Dominican Republic), as a sugar producer.

Second: That in its basic quota of the U.S. market, both under the 1948 act as amended, and as proposed in H.R. 12154, China is far down on the list.

The Republic is appreciative of the fact that under the discretionary authority provided in the 1948 act, as amended, the Secretary of Agriculture, undoubtedly with the concurrence of the Secretary of State, made additional allocations to China increasing its authorized imports into the United States up to 170,028 short tons for 1961 and 54,059 short tons for the first 6 months of 1962. This increased tonnage was of great help to the Republic; it is most grateful for this additional market for its sugar at a fair price. It is much more conducive to sound agricultural planning, however, for sugar producers as well as other farmers to know well in advance the possible extent of the market demands for the particular commodity which they produce; and this is true, of course, of the cane growers of China.

When the draft that became H.R. 12154 was pending in the executive departments, we asked that consideration be given to authorization in the proposed legislation of a basic annual quota for China of 300,000 tons. It appeared that a quota in that amount was fully justified in view of China's relative standing both as a sugar producer and as a sugar exporter. It appeared also that there was ample margin in the unallotted portion of U.S. needs to be furnished by foreign countries for a quota to China in that amount. As is evident from the bill, that request was not granted in full, although China's basic quota was increased to 45,000 tons and it was given an additional allocation of 150,000 tons through December 1963.

China again submits that a basic quota of 300,000 tons would not be unjustified in view of the its long record as a friend of the United States, and as the fourth largest exporter of sugar.

If, however, this committee should not feel justified in increasing China's basic quota to that amount, it is respectfully requested that consideration be given to increasing China's annual quota from 45,000 to 100,000 tons, and reducing the amount available for annual allocation to the Republic by the amount of the increase, namely, 55,000 tons.

When we talk about sugar production in the Republic of China, we are referring, of course, to the island of Taiwan, the principal area of agricultural and industrial production for the Republic at the present time.

Taiwan has a land area of 13,835 square miles, a little over 2½ times the size of Connecticut. It had a population of 10,792,000 at the end of 1960, about four times that of Connecticut.

The agricultural population is 4,795,000. About 50 percent of the sugarcane farms is owned by the growers and these farms consist, on the average, of eight-tenths of an acre. The average family is about six persons.

Sugar is Taiwan's most important crop. Approximately 1.2 million people depend upon it for a livelihood, and exchange earnings from

sugar exports amount to around $75 million annually—approximately 45.5 percent of total exports.

Around 89 percent of the sugar is exported, mostly to Taiwan's traditional markets in the Mideast and Asian countries where Taiwan is now faced with relentless economic warfare from the Communists, due primarily to Cuban sugar.

The sugar sold in that market is sold at world prices which, as Mr. Kemp noted in his statement to the House Committee on Agriculture on May 15, does not reflect "the actual value of the sugar" (p. 18). Moreover, there is evidence that Cuban sugar is going into this market as was anticipated in the special study on sugar made by the Department of Agriculture, February 14, 1961, for the House Committee on Agriculture (pp. 1–2).

A larger volume of sugar purchases by the United States from China would also be helpful on China's balance of trade with the United States and should reduce the amount of economic aid that China receives from our Government. For example, the trade balance between the countries for 1960 and the first 6 months of 1961 was as follows:

	1960	1961, January–June
Imports from the United States	$96,980,000	$58,681,000
Exports to the United States	21,199,000	15,527,000
Total	75,781,000	43,154,000
Less economic aid from United States	59,005,000	39,301,000
Balance in favor of United States	16,776,000	3,853,000

It will be noted from the above that the Republic of China has been importing more goods from the United States than it is exporting to the United States.

Some of the imports to China were commodities under Public Law 480. Thus there would have been a greater balance in favor of the United States if these commodities had been paid for in cash. A greater reliance upon China by the United States as a source of sugar supply would help tremendously in adjusting this trade balance.

Mr. Chairman, I appreciate the opportunity of presenting this statement to the committee.

Senator DOUGLAS. Thank you very much, Mr. Farrington.

We will recess until tomorrow morning at 10 o'clock.

(By direction of the chairman, the following is made a part of the record:)

EMBAJADA DE EL SALVADOR,
Washington, June 19, 1962.

HON. HARRY F. BYRD,
Chairman of the Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I have the pleasure of enclosing copies of the statement that was sent, on May 24, 1962, to Hon. Harold D. Cooley, chairman of the Committee on Agriculture, House of Representatives. This statement was submitted in support of our request that consideration be given to the assignment of a basic yearly quota to El Salvador in the amount of 20,000 tons of sugar, raw value.

It will be greatly appreciated if you will review the facts outlined in the enclosed statement, which it is sincerely hoped will meet with your approval. It is respectfully requested that the honorable members of the committee be supplied with copies of the enclosed.

Your favorable consideration to this request will be gratefully received.

Sincerely yours,

ARMANDO INTERIANO,
Chargé d' Affairies ad Interim.

LEGISLATION TO AMEND AND EXTEND THE SUGAR ACT OF 1948, AS AMENDED

Chairman Cooley and members of the committee, I have the honor to address the committee, on behalf of the Government of El Salvador, for the purpose of requesting that consideration be given to the assignment of a basic yearly quota of 20,000 short tons of sugar, raw value, to El Salvador.

The above request is based on the Sugar Act objectives: "* * * to protect the welfare of consumers of sugar and those engaged in the domestic sugar-producing industry; to promote the export trade of the United States * * *." The Sugar Act, as amended, also states "that special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities." El Salvador qualifies under both criteria.

The sugar quota of 20,000 short tons raw value that El Salvador requests is an insignificant amount when viewed in relation to total U.S. sugar consumption of 9.7 million short tons. Nevertheless, it is of paramount importance to the economy of El Salvador, for the following reasons:

1. Sugar is El Salvador's third most important export crop.
2. The United States is the natural outlet market for El Salvador's sugar exports.
3. It would help stabilize El Salvador's foreign income and would help it to earn more dollars to pay for its imports—machinery especially—which are important to its development program.

I take the liberty to offer, Mr. Chairman, a brief analysis of the sugar situation in El Salvador. As you are probably aware, my country, one of the signatories of the Punta del Este Charter, has faithfully fulfilled the mandates, postulates, and recommendations emanated from this historic document. In part 5, title I, which describes the objectives of the Alliance for Progress, the American Republics agreed "to raise greatly the level of agricultural productivity and output and to improve related storage, transportation, and marketing sources."

My government has taken the above measures as regards to sugar. Output has been increased considerably in quali-quantitative terms, introducing better qualities of sugarcane, highly improve farming methods, and modern industrial techniques. These together with the favorable geographic position of El Salvador with respect to the United States, assure the reliability of my country as a good sugar supplier.

It would seem, from what I have described, that the situation is one of bonanza. However, this is not the fact. The neighboring Central American countries, toward which a good part of our sugar trade was oriented, have, likewise, increased their sugar production, thus closing sugar outlets for El Salvador.

The closing of our traditional Central American markets, and the uncertainty of being unable to export sugar to the United States are elements that cause a serious socioeconomic imbalance, because the entrepreneurs could restrict buying sugarcane from the small producers.

In this connection, stressing the Charter of Punta del Este, and in order to obtain a better redistribution of the national income, my government has promulgated a series of economic and social legislation. Some of these laws are—

(*a*) Law to provide remunerated rest on Sunday for rural laborers.
(*b*) Amendments to the leaseholding law.
(*c*) Law for the protection of the salary.
(*d*) Law providing minimum wages for commercial employees.
(*e*) Law for the protection of rural workers.
(*f*) Amendments to the income tax law.
(*g*) National Council for Planification and Economic Coordination.

The assignment of a sugar quota to El Salvador would have no detectable effect on other supplying countries, but it would make an appreciable contribution toward helping El Salvador diversify its production and stabilize its foreign

earnings which are subject to cyclical movements due to the fluctuations of the prices of the primary products. These considerations will grow in importance as El Salvador's economic development program gathers momentum.

In conclusion, it is sincerely hoped that the chairman and the members of the Committee on Agriculture will give a favorable consideration to the present request.

TABLE I.—*Regional balance of payments, 1957–61*

[Million colones; 1 colon equals U.S.$0.40]

Country	Imports					Exports				
	1957	1958	1959	1960	1961 Jan.–July	1957	1958	1959	1960	1961 Jan.–July
America	186.0	173.6	160.3	183.4	94.5	177.2	138.7	134.0	134.8	82.7
Canada	4.2	4.5	5.5	5.2	2.8	2.0	2.3	5.5	1.0	.5
Colombia	1.2	1.1	.7	.4	.1	-------	.2	-------	-------	-------
United States	148.3	130.6	110.4	131.2	65.9	158.2	115.2	100.7	102.4	61.6
Guatemala	6.2	7.6	10.7	13.0	9.4	5.9	7.4	10.4	15.2	10.2
Honduras	12.4	15.7	16.2	15.7	9.7	5.9	8.6	10.1	9.9	6.7
Mexico	5.3	5.0	4.3	5.1	2.5	.2	-------	.1	.2	-------
Nicaragua	2.1	1.9	3.0	3.5	1.1	2.9	2.9	4.2	3.6	1.7
Panama	2.1	2.9	2.4	2.7	.5	.1	.1	.2	.4	.2
Venezuela	1.4	1.8	3.3	3.3	1.4	-------	.1	1.0	.1	-------
Other	2.6	2.5	3.8	3.3	1.1	1.8	7.7	1.8	2.0	1.8
Asia	16.9	13.2	12.2	22.6	12.2	17.3	31.7	42.2	34.2	-------
Japan	16.7	13.1	12.1	22.5	12.2	17.3	31.7	42.0	33.6	-------
Other	.2	.1	.1	.1	-------	-------	-------	.2	.6	-------
Europe	84.4	82.4	75.5	98.7	55.9	151.6	119.6	107.1	122.0	86.8
Germany	22.9	25.4	21.9	31.3	16.6	104.7	94.1	79.1	97.2	72.7
Belgium	13.1	8.9	7.1	11.5	6.9	7.0	5.2	3.5	4.4	2.2
Denmark	1.0	1.6	1.7	2.3	1.3	.3	.7	1.7	2.2	1.1
France	4.6	3.1	4.4	4.9	2.1	10.9	1.2	3.3	.5	.1
Great Britain	13.4	11.9	10.0	12.3	6.9	4.6	3.0	4.5	1.6	.2
Holland	17.7	19.0	17.9	20.8	14.5	12.8	6.9	7.9	7.3	5.9
Italy	4.5	4.1	5.2	6.7	3.1	5.6	5.4	4.8	2.2	1.5
Sweden	2.3	3.1	2.3	2.2	1.0	3.9	2.1	1.8	3.9	2.4
Switzerland	2.5	3.2	2.5	-------	2.2	.7	.7	.3	-------	.6
Other	2.4	2.1	2.5	6.7	1.3	1.0	.3	.2	2.7	.1
Others	.4	.9	.9	1.3	1.0	.2	.1	.1	1.0	.1
Total (colones)	287.6	270.1	248.8	306.0	163.6	346.2	290.1	283.4	292.0	206.9
Total (dollars)	115.0	108.0	99.5	122.4	65.4	138.5	116.0	113.4	116.8	82.8
Trade balance (dollars)	-------	-------	-------	-------	-------	23.5	8.0	13.9	−5.6	17.4

Source: Central Bank.

STATEMENT ON BEHALF OF THE SUGAR INDUSTRY OF COSTA RICA

Mr. Chairman and members of the committee, my name is Dina Dellale. I am the registered representative of the sugar industry of Costa Rica. Costa Rica, it is true, is one of those little Latin American countries that has been discussed here with affection, but there is a difference as far as we are concerned, and it is that difference that I would like to present to the committee.

The Republic of Costa Rica lies between Panama and Nicaragua in Central America. Its land is fertile and productive. It possesses ports on both oceans to facilitate its international trade and the economy is primarily agricultural. In this era of upheavals, riots, and revolutions, this nation is a fascinating working example for all in its political and social stability. While democracy in action has become a mere slogan in most parts of the world, here you can find it operating daily with responsibility. The President walks the streets of the capital, San Jose, without fear or bodyguards. The widespread distribution of wealth, a vigorous agrarian reform that finds one out of every five Costa Ricans owning his own land, and the intensive expansion of educational facilities as the foremost national aim, are the keys to why Costa Rica is different.

May I give you an unusual example. Costa Rica has no army. With a great

sense of the practical, the constitution of 1949 decreed that money formerly invested in the army would go to building schools, and all weapons were exchanged in the United States for plows and tractors. The educational drive was intensified to such a degree that the illiteracy rate of the population was reduced to 17 percent. To be a citizen here is a source of pride. This spirit is reflected in their leaders and measures were initiated to insure collective well-being. No community, however small or remote, has been excluded from the benefits of these guarantees of a better life.

Internationally, Costa Rica has followed a single line of conduct, characterized by a scrupulous respect for agreements and treaties. I would like to direct the committee's attention to a most salient fact. Costa Rica stands in the forums of the world, and the hemisphere, ready to defend the principles of freedom and democracy. She has one vote, which when cast is of equal importance to the vote of any great or large nation. It is with conscious deliberation that this vote is given, and never at any time has there been an implication that this vote could be bargained for or bought. I stress this to the members of the committee, for while Costa Rica is, in all probability, the most constant nation in her friendship for the United States, her support to this great friend has been given freely, with dignity, in mutual defense of liberty. She has consistently repudiated the ideology and destructive maneuvers of the Soviet Union, maintaining no relations with that country. The existence of the Communist Party is forbidden by law. Trade relations are incompatible as well as unthinkable, and at no time would ever be considered. Small as Costa Rica is, she has often taken the initiative in her friendship with the United States. She did so after the treacherous attack on Pearl Harbor, declaring war on Japan and the Axis Powers a full day before the United States.

I have stressed the character and behavior of the Costa Rican people to show the committee that there exists a real difference, politically and socially. Now I will present the economic difference.

As a country with an overwhelmingly agricultural economy, the major part of their income is derived from the exports of what they produce. The revenue from this source does not constitute the patrimony of a few but belongs to the majority of the population since the distribution of land compels this. The growth of the population is increasing continually as Costa Rica has among the highest birth rates in the world, and this compels them to produce on a larger scale, to extend their markets, and to follow, perhaps more quickly than most Latin countries, the pace of progress. It, therefore, became necessary many years ago to substitute the monoculture of coffee with a diversification of agricultural activities to balance the economy of the country and to maintain and increase their standard of living which is the highest in Central America.

Sugar represents an important factor in this economy. Land which was unprofitable for raising other crops now is valuable in the cane it yields and as a source of employment. Sugar is not a family affair in Costa Rica; 27,000 small farmers cultivate cane on their own land. Fifty-three percent of the sugar farms are less than 34 acres and 90 percent are less than 170 acres. There are 33 mills. Counting the families of the sugarcane farmers and the employed laborers, one-tenth of the population depends on sugar for a livelihood. Sugar is serious in Costa Rica. Here it is not a case of one or two mills accruing great wealth on one hand and dispensing pennies with the other to those slaves of the soil that are able to raise a few acres of cane. No such inequity exists here, for the chamber of sugar which consists of the 33 mill owners guarantees to the 27,000 farmers a minimum yearly price plus a share in whatever other benefits are received.

When I ask the committee to consider the difference of Costa Rica, I respectfully request them not to consider Costa Rica collectively in that group of "little Latin America countries" but singly and on her own merits and performance. We have been one of the children of the Sugar Act since 1948. When our great and good friend to the North could no longer bear the insults of Castro and shut the door to the sugar of Cuba, we stood ready, without any long-term guarantees, to fill the void to the extent of our capacities. These past 3 years, we have built up a historical performance. In adjusting the basic quotas of the original quota countries, we ask that this record be considered as well as our future capacity of production. It is our hope that before quotas are considered for new countries, consideration is given to those of us who have been around with you a long time. Last year Costa Rica shipped to the United States 30,250 tons with a basic quota of only 3,616 tons. This year our estimated surplus will be 45,000

tons and by 1966 our surplus will reach 80,000 tons. We understand and agree wholeheartedly with the committee in reserving a specified amount for Cuba when she returns to the fold of free nations. There would not be one of us who, for selfish reasons, would withhold this aid of our sad neighbor. Our request, therefore, is for a reasonable increase of our basic quota to 30,000 tons and a proportionate share of the Cuban allotment and the deficits as long as they continue. All of our future quota will enter this country as raw sugar. We have adjusted our mills to fill this requirement and stand ready to do so now.

With this assurance, the sugar industry will continue to be a vital, growing force in the economy of Costa Rica. Without it will come unemployment, poverty, and stagnation. These factors will sow the seeds of a future filled with unrest and instability. Our commercial trade balance with the United States has been unfavorable to Costa Rica for many years. In 1960, the deficit was $13 million; in 1961, the amount was $10 million. We are among your biggest customers per capita. We want to continue to buy from the United States, but we want to pay for what we purchase with money that is earned, not borrowed. We do not wish to turn elsewhere because of lack of dollars.

While this increase will bring many mutual advantages, Costa Rica would like to proffer a small gesture to her friend. Each year, 5 percent of her entire quota, basic and nonquota allocation, will be set aside, stored and financed by the chamber of sugar, to be at the call of the United States in case of emergency. This special reserve will grow from year to year and does not carry with it any sort of an obligation on the part of the United States.

Mr. Chairman, Costa Rica is a small nation but her capacities are large for democracy, for work, and for friendship. I thank the committee for their attention.

UNITED PACKINGHOUSE, FOOD & ALLIED WORKERS,
AFL–CIO,
Chicago, Ill., June 21, 1962.

HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR BYRD: On May 17, 1962, this organization presented testimony to the House Agriculture Committee in connection with pending sugar legislation. We are most anxious that this testimony become part of the official record of the current hearings before the Senate Finance Committee.

Would you therefore be so kind as to see that the enclosed statement be included in the official record of your committee.

Respectfully yours,

RALPH HELSTEIN, *President.*

WAGE STANDARDS OF AGRICULTURAL WORKERS IN THE SUGAR INDUSTRY—STATEMENT OF THE UNITED PACKINGHOUSE, FOOD & ALLIED WORKERS, AFL–CIO, ON EXTENSION AND REVISION OF THE SUGAR ACT OF 1048

U.S. policy regarding the sugar industry is undergoing serious reappraisal, principally because Cuban sugar is no longer available for consumption in this country. This is the first such basic reappraisal since the adoption of the quota system in essentially its present form in 1934. Therefore, this is an opportune time to review the effectiveness of the present sugar-control machinery as it affects the basic sugar producer—the fieldworkers on the cane plantations and beet farms.

SUGAR—A SUBSIDIZED INDUSTRY

The U.S. sugar industry has been heavily subsidized for many years, first by tariffs, and, since 1934, by means of a quota system that guarantees domestic producers a market at a price substantially higher than the world market price. Senators Paul H. Douglas and J. W. Fulbright have recently estimated the extent of the subsidy at 10 to 20 billions of dollars since 1934.[1]

When the Roosevelt administration adopted the Jones-Costigan Act in 1934 the price of raw sugar was 1 cent a pound. The industry was in a bad way. The act was designed to raise and stabilize prices without harming consumers, to effect a shift of income from processors (who weren't doing so badly) to growers

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[1] S. Rept. 125; 87th Cong., 1st sess., p. 10.

(who were doing miserably), and, in so doing, to insure that the farmworkers shared in the benefits.

Since 1934 the Sugar Act has often been amended, but its basic purposes and procedures remain unchanged. After 27 years' experience, it is clear that the act has been successful in meeting all its major objectives—with one glaring exception: the farmworkers, the base of the whole pyramid, have derived no benefit. Sugarfield workers in Hawaii are an exception—they are far better off than they were, but the improvement in their income and living standards cannot be credited to the sugar legislation; it is the result of union organization.

However, since 1934 the economic picture has radically changed. The need then was to raise sugar prices and to redistribute the industry's income as between processors and growers and, indirectly, the fieldworkers. Now, during the prosperous postwar years, the effect of the act has been to hold down the price of sugar relative to other agricultural prices. The result has been an unanticipated profit bonanza for the big industrial users who swallow two-thirds of the industry's product. The principal beneficiaries of the act have been Coca-Cola, Hershey, Wrigley, and the other industrial users, including the fruit canners. The prices of pop, of candy, of chewing gum, and of canned fruits have all gone up along with other prices, while the price of their raw material—sugar—has risen only very slowly. The resulting phenomenal profits for some of these companies are shown later.

Now is the time for a thorough reconsideration of the whole purpose of the Sugar Act. The country cannot sit idly by and see millions of dollars pouring into the coffers of the industrial users at the same time that the fieldworkers are getting no benefits whatever. This was not the purpose of the act originally; it should not be the result of the act today.

As was recently pointed out, "We have developed a thoroughly managed sugar economy."[1] The questions raised by this paper are: What has become of the fieldworker? How has he fared in this managed economy?

WHY IS HE THE FORGOTTEN MAN?

The sugar worker has actually received no benefit whatever from the Sugar Act. Other segments of the industry—the industrial users, the processors, the growers, and the consumers—have all benefited from the stable and assured prices guaranteed by the act.

In fact, the workers who produce the sugarcane and the sugarbeets are actually worse off than they would be without the procedure in the Sugar Act which is supposed to assure them "fair and reasonable wages." As this statement demonstrates, the "fair and reasonable" wage for sugar workers is set by the USDA at whatever is the prevailing farm rate in the area. Thus, the Government's stamp of approval is put on such substandard wages as 75 cents to a dollar in the beet areas, 60 to 70 cents in Louisiana, and 36½ cents in Puerto Rico. Every attempt by the workers to raise their wages is met by the argument that the wages they are getting are considered "fair and reasonable" by the USDA.

THE "FAIR AND REASONABLE" WAGE DOCTRINE

The President of the United States, in his message to Congress recommending passage of sugar legislation in 1937, said:

"It is highly desirable to continue the policy, which was inherent in the Jones-Costigan Act, of effectuating the principle that an industry which desires the protection afforded by the quota system, or a tariff, *Should be expected to guarantee that it will be a good employer.* I recommend therefore that the prevention of child labor, and the payment of *wages of not less than minimum standards*, be included among the conditions for receiving a Federal payment."[1] [Emphas added.]

The 1937 Sugar Act and all subsequent versions have carried the provision that the Secretary of Agriculture, after appropriate hearings, shall establish "fair and reasonable" wages for sugar workers. But the act failed to specify clearly the standards to be applied in setting the rates. It simply said that the Secretary "shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the difference in conditions among various producing areas."[2]

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[1] "Special Study on Sugar," a report of the special study group of the U.S. Department of Agriculture for use of the House Committee on Agriculture.

[2] Sec. 301(c)(1).

In practice, the "fair and reasonable" wages as set by the Secretary have been no higher than those prevailing in the particular area in question. In Hawaii, where wage rates have been estabilshed by collective bargaining since 1945, the Secretary has determined that the union rates are "fair and reasonable." Elsewhere, according to spokesmen for the USDA, the standards have taken into account trends in living costs, "differences in the economic position of producers and workers in the several producing areas," and "ability to pay," i.e., "the economic position of producers in relation to available market returns." [3]

Consideration of trends in living costs has been limited to trends in the prices of food and clothing, "inasmuch as those two items represent the major expenditures by sugarbeet and sugarcane fieldworkers." [4] Nothing could be more revealing. The living standards of the fieldworkers are so low, price trends for other customary items of goods and services are disregarded.

In the public hearings, which are provided for in the law as a protection to all parties, the Secretary almost always has only such information as the growers provide. The resultant wage determinations determine what is the prevailing wage in the area in question. How else can one explain a "fair and reasonable" minimum wage of $1.46 per hour in Hawaii (the union rate for labor grade I, effective February 1, 1962) and a wage of $2.92 per day (which on a per hour basis is 36½ cents) in Puerto Rico for the same crop year? [5] These are the latest determinations for these areas. It is obvious that the alleged "standards" used by the Secretary of Agriculture are extraordinarily flexible. "Fair and reasonable" does not mean what is fair and reasonable to the workers. No genuine concept of a fair minimum wage would justify any such differentials as this. The cost of living does not vary that much from one part of the country to another.

In Puerto Rico, the USDA's distortion and perversion of the "fair and reasonable" doctrine with respect to wages has received its harshest expression. Evidently, with its attention always centered on keeping the grower-processor interests in Puerto Rico on a "competitive" par with other U.S. sugar-producing areas, the canefield worker in Puerto Rico has been placed at the bottom of the totem pole.

The criteria used by the USDA are quite clear—and these criteria are those which directly contradict the standards for a fair minimum wage. In the USDA wage determination for the 1961 crop and cultivation of the 1962 crop in Louisiana, these criteria are made explicit:

"An analysis of returns, costs, and profits of sugercane production and other relevant factors indicates that the increase in the wage rates provided herein are fair and reasonable and within the ability of producers to pay." [6]

Lest anyone be misled by the "forcefulness" of the USDA's language, it should be noted that the increase was 5 cents per hour, which would bring the minimum close to 67 cents per hour.

The Puerto Rican wage, previously noted, came as a result of the most recent wage determination, which provided an increase of 9 cents per day. (Parenthetically, it should be noted that the insular government in Puerto Rico has assumed jurisdiction over canefield workers' wages, but the USDA has not released its own jurisdiction. As a practical matter, with the USDA continuing to make determinations on prices for raw sugar and on conditional payments, the insular government has apparently felt—we think mistakenly, and we have so testified in Puerto Rico—that it cannot get much "out of line" from what the USDA sees fit to do with respect to minimum rates for fieldworkers.)

SUGAR WAGES FOLLOW FARM WAGES

A look at chart I confirm the conclusion that the Sugar Act provision for "fair and reasonable" wages has done nothing to bring earnings of sugarfield workers up to a truly fair and reasonable level. The chart shows the movement of sugar workers' earnings for the period 1946 to 1960, compared to the earnings of indus-

[3] "Wage Determinations Under the Sugar Acts," Ward S. Stevenson and Linewood K. Bailey, Sugar Division, Department of Agriculture, published in Sugar Reports, December 1954.

[4] Stevenson and Bailey, op. cit.

[5] Minimum Wage Board, Commonwealth of Puerto Rico, Department of Labor. Mandatory decree No. 50, Jan. 3, 1962.

[6] "USDA Wage Determination for Louisiana Sugarcane Workers," quoted in Sugar y Azucar, December 1961, p. 47.

trial workers and compared to farm wage rates generally. Two conclusions are immediately obvious:

1. Except for Hawaii, field sugar wages are comparable to farm wages generally, and have risen at the same slow rate. Beet area earnings are higher than cane earnings in Florida and Louisiana, not only because wages in the south are lower, but also because of the greater proportion of skilled workers in the beet areas, now highly mechanized.

2. Earnings of field sugar workers, along with farm wage rates generally, are far below the earnings of industrial workers and have been falling farther and farther behind. Earnings in beet areas, which averaged about two-thirds of earnings in manufacturing in 1946, now are only a little more than one-half of the earnings of manufacturing workers.

A DEAD LETTER

The only possible conclusion is that section 301(c)(1) of the Sugar Act is a dead letter so far as providing a real minimum wage is concerned. It affords sugar workers no protection whatsoever. To this extent, the purpose of the original enactments has not been fulfilled. Processors are paying their excise tax, growers are getting payments, but the wages and conditions of the workers would be no worse if the Sugar Act was repealed. The industry is being subsidized, but none of the subsidy trickles down to the workers. The industry is far from being a "good employer," to refer again to President Roosevelt's message. As has been demonstrated, the interpretation of the "fair and reasonable" doctrine by the USDA and the administrative wage determinations resulting from this interpretation has produced a situation of vast inequities for the canefield workers.

INCOME OF FIELDWORKERS

Given these wage determinations by the USDA, the resulting income situation within which the canefield workers find themselves has not only not improved, but in fact it has worsened.

During 1960, for example, average hourly earnings in Puerto Rico were $0.502. Yet, this figure considerably overstates the economic position of the majority of canefield workers. This figure is a weighted average (weighting by numbers of workers in each type of job) and thus for the bulk of the workers, the actual wage was much less. Furthermore, earnings per hour are even less meaningful for income comparisons, when it is remembered that average weekly hours are considerably less than 40. Thus the average weekly income of the workers in sugar are incredibly low—even discounting the abysmally low standards created by the USDA wage policy.

The following data indicate the actual income situation of sugar workers in Puerto Rico.[7] For the 80,302 workers hired in March 1961, the busiest harvest month, hours average only 28 per week and earnings (on the basis of an average of $0.485 per hour) averaged only $14.68 per week. For canecutters who numbered 45,429 and accounted for nearly 57 percent of total employment in seasonally busy March, hours averaged 28 per week, average hourly earnings $0.466 and weekly earnings $13.75. For one of the higher paid jobs, tractor drivers, weekly hours were a little longer—30 hours per week, but their earnings were only $21.70 per week, based on a wage of $0.649 per hour—and this includes $1.79 "incentive" compensation. It is to be noted, however, that this relatively "high" wage by USDA standards applies to only 1,893 tractor operators or 2.4 percent of the total.

For a full season month such as August, after the harvest is over, not only did employment fall off from its 80,302 peak in March to 35,850, but earnings also took a nosedive, averaging only $10.56 for not quite 24 hours a week.

Canecutters are entitled to a special note. The $13.75 average of 1961 earnings they received for their "best" month—March—may be compared with $13.54 they received in March 1958, 3 years earlier, an increase of 21 cents per week, in the face of substantial increases in living costs. Moreover, in the 3-year period 1958 to 1961, the reduction in the number of canecutters was 10,948, a decline of 19.4 percent or almost one-fifth. Meanwhile, their hours fell 5.3 percent, from 29.5 to 27.9.

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[7] The following wage data were taken from the Department of Labor, Commonwealth of Puerto Rico's publication: La Industria Azucarera En Su Fase Agricola, 1961.

What are the seasonal earnings of the canefield worker? It is difficult to estimate this exactly, but assuming the $13.75 per week previously cited for canefield workers in 1961, and assuming further a 4-month season—which we are certain many do not experience—then seasonal earnings might be in the area of $250 per year. What does the canefield worker do the rest of the year? He picks up such odd jobs as he can find; if he has a little patch of his own on the mountainside, he scratches from it what is possible; he draws meager unemployment compensation for very limited periods; and, increasingly, he goes when possible to work in the truck crops of New Jersey, Pennsylvania, and New York—and remains on the mainland if he can manage. In fact this discussion might well be headed: "Why Puerto Ricans Go to the Mainland." Our thesis is that much of this urge or push to migrate has been supplied by the misapplication for the "fair and reasonable" doctrine, as practices by the Department of Agriculture with the ultimate responsibility resting on the Department's Secretary.

Furthermore, contrary to the notion that the situation in Puerto Rico represents something unique, consider the case of Florida where much of the work in sugar is done by migrant labor. In reviewing the intolerable conditions of migrant labor, the Sixth Federal Reserve District's Monthly Review said:

"*Earnings.*—Southern migrants earned an average of $644 for their farmwork in 1959, according to the USDA Since migrants are deprived of the fringe benefits usually enjoyed by farmworkers, those wages represent everything they got from the farm. One reason these earnings seem so low is because migrants are not employed regularly. In 1959, southern migrants worked only 120 days, on the average, party because they spent much time traveling from job to job and partly because work was often unavailable. Migrants harvest crops that are generally delicate, and they can do so only when weather conditions are just right. Then, too, time is often lost while crops are maturing." [8]

And as to the question of whether or not these conditions would improve, the same article noted that, "despite this need for workers in Florida experts believe there is little prospect for much improvement in wages." [9] The reason: as the article points out and what almost everyone already knows, cheap labor, due to a large available supply; and the cheap labor reduces the incentive to invest in capital equipment which would have the effect of raising productivity.

PRODUCTIVITY AND LABOR COST

The USDA, as noted earlier, has been concerned that its wage determinations pay close attention to the question of the "ability of the growers to pay." We do not believe that the financial and profit position of the growers should be of decisive consideration in shaping the size of wage determinations, but if there is any question about the general position of the growers who represent the bulk of acreage and output in this highly protected industry, a few central figures should dispel any misapprehensions. First, it is worth recalling that large landowning and processor interests go hand in hand. Outstanding in this respect, in Puerto Rico, is Central Aquirre, with its landowning affiliate, Luce & Co. Further confirmation of the same fact can be seen by looking at the distribution of production by mills in 1960 and 1961. Note that the tendency is for greater concentration.

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[8] Sixth Federal Reserve District, Monthly Review, January 1962, p. 3.
[9] Ibid.

Production of sugar in Puerto Rico by mills[1]

[Short tons, 96° basis]

Mill	1960	1961
Aguirre & Associates	108,455	128,015
Guanica	91,305	118,198
Mercedita	78,836	88,174
Coloso	72,007	73,554
Plata	52,949	52,657
Fajardo	47,819	52,297
Iqualdad	43,209	49,058
Total	494,580	561,953
Percent by 7 mills of total Puerto Rican production	49	51

[1] Manual of Sugar Statistics, 1962, p. 3. Association of Sugar Producers of Puerto Rico.

Over the years these interests, in which there is substantial mainland capital, have certainly prospered. They have assumed they are "entitled" to profit rates at least equal to those prevailing on the mainland, and their vast sugar plantation holdings have been highly instrumental in achieving this goal. Latest proof that investment funds find the sugar industry of Puerto Rico attractive is the appearance on the Puerto Rican sugar scene of the Brewer interests which are heavily involved in the sugar industry of Hawaii.

Further evidence on the concentration of landowning and control in Puerto Rico is provided by these figures: in 1960, 83.2 percent of the raw sugar was produced by 12.3 percent of the farms.[10] This means a numerically small group hire the great bulk of the field labor. Implicit, too, is the fact that substantially higher minimum wage rates would not entail higher payrolls for the numerically important farms which account for a small total acreage (those of 5 or less acres), for they do not hire labor. In fact, to the extent that their big farm "competitors" have to pay more for canefield labor, the cost disadvantage of the small farmer—and this would go somewhat above the 5-acre holdings—would be reduced.

As is well known, Florida cane is grown on large plantations. The USDA figures show that there are only 13 farms producing cane in Florida, and considering the size of the output there can be no question as to the earnings and profits of these concerns.

PRODUCTIVITY AND REAL WAGES

Since 1950, in terms of man-hours per acre of cane, labor productivity has risen nearly 40 percent in Puerto Rico, and the rise in Louisiana and Florida has been even more impressive.[11] At the same time, however, real wages of cane-workers in Puerto Rico have risen only 12 percent. Turning to chart II, we can see that the spread between productivity and real wages has been growing each year since 1953 with the exception of 1958. Since 1959, the trend has become accentuated. Note here that the Consumer Price Index for Puerto Rico has been steadily moving upward so that even by the USDA criteria, there has not been the slightest semblance of "fair and reasonable" wages.

In the mainland cane areas, the trend of productivity has been the same, only more so. In Florida, productivity in the period 1950–60 rose by roughly 150 percent, but this almost incredible rise in productivity has been "matched" by only a 34 percent increase in real wages.[12]

In Louisiana, real wages rose by 34 percent, but productivity during the same period rose by about 125 percent. The gain in productivity, which has meant lower production costs in every cane area on the mainland and in Puerto Rico, has never been passed on to the workers who have contributed in large measure to the gain. Even the sugar industry makes no bones about the facts:

"Summarizing for all areas, reductions in man-hour requirements were made in every field operation but the most significant savings were accomplished in

[10] La Industria Azucarera En Su Fase Agricola, passim.

[11] Productivity measures for the period are derived from the average increase of 15 percent for Florida and 12.51 percent for Louisiana which are given in "Labor Productivity on Sugarbeet and Sugarcane Farms in the United States." Sugar Reports, November 1961.

[12] Ibid.

cultivation and harvesting. These savings are due in part to the increasing percentages of acreage mechanically thinned and mechanically harvested." [13]

Most important, note that it is precisely in the areas of cultivation and harvesting that wages have been and continue to be at levels which any reasonable person would call "unreasonable."

THE SUGARWORKERS AS MIGRANTS—"THE MOST ISOLATED AND FORGOTTEN PEOPLE IN AMERICA"

The "Harvest of Shame," which so aptly describes the conditions under which migrant farmworkers in this country live and labor, also applies to the sugarworker. For he, too, in many cases, falls under that ubiquitous term which categorizes America's most downtrodden and unprotected. For example, within the Sixth Federal Reserve District alone, there are roughly 85,000 migrant workers, earning an annual income of less than $700 and with virtually none of the protections given the urban worker.[14] In Florida, where the present "boom" in sugar is expected to result in a 250 percent increase in sugar acreage by 1966, many migrants have been employed in the canefields. With the USDA policy of keeping sugar wages as low as the prevailing farm wage in the area, it is understandable why the growers find it profitable to employ migrant labor in the canefields. Even with mechanization, the plight of the migrant continues, and one of the principal reasons is summarized in the comment of the Federal Reserve's article on southern migrants:

"Farmers have had little incentive to substitute machinery for this low-cost hand labor. Unlike havesting equipment that is expensive for farmers to keep up even when not in use, migrant workers cost the farmers nothing when unemployed." [15]

The previously cited figures on Florida caneworkers' productivity—150 percent increase in the past 10 years—dispels any argument with reference to what is due them, and the needs of these workers with annual earnings less than $700 is obvious. Finally, it is clear that the problem of the migrant worker cannot be alleviated without the efforts of the Government. For the effect of poverty is to breed more poverty. Impoverished families, whose livelihood is dependent on the USDA determination of the growers' "ability to pay," inevitably produce more ill-clad, undernourished, and poorly educated migrants, who, like their parents before them, are unable to escape the vicious cycle.

COLLECTIVE BARGAINING FOR SUGARWORKRS

Sugarworkers in continental United States are excluded from coverage under Federal law which guarantees industrial workers the right to bargain collectively through representatives of their own choosing. The law does not forbid collective bargaining, but the growers are under no legislative compulsion to agree to bargain. Thus, an industry which enjoys the protection of the Federal Government is under no obligation to bargain collectively.

This situation derives both from the great political influence of the large growers, the masses of unemployed in growing areas, and from the organizational weakness of the workers. The situation is thus to some degree circular; the workers cannot readily organize because they are not organized, and the army of unemployed is competing for their jobs. Obviously, one step toward a solution lies in the adoption of amendments to Federal labor law to cover the sugarworkers.

WHO ARE THE BENEFICIARIES?

If the workers have not benefited from the generous subsidy enjoyed by the domestic sugar industry, who has? The answer is: All other segments have benefited, the big industrial users most of all.

The industrial users have grown rapidly in importance since the passage of the first quota legislation in 1934. At that time, they consumed about one-third of all the sugar used in this country; now they consume about two-thirds. The ordinary domestic consumer has increasingly purchased his sugar in the form of bakery goods, confectionery, canned fruits, carbonated beverages, chewing gum, and other processed items. For the industrial user, the Sugar Act has guaran-

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[13] Roy J. Leffingwell, "Human Relations," Sugar y Azucar, March 1962.
[14] Monthly Review, loc. cit.
[15] Ibid.

teed a profit bonanza. The following figures (from Moody's Industrials) are profits after taxes as a percent of net worth for the companies listed for the period 1948 through 1960:

[In percent]

Company	Range 1948–60	
	Low year	High year
Coca-Cola	14.3	24.3
Pepsi Cola	7.1	24.2
William Wrigley, Jr	13.0	21.0
National Biscuit	10.7	15.3
Hershey Chocolate	10.3	30.0

That section of the Sugar Act (sec. 201) which establishes the criteria to be used by the Secretary of Agriculture in determining the overall quota of sugar for consumption purposes, provides that the "determination shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry * * *."

The above profit figures demonstrate that the Secretary has certainly protected the welfare of these large sugar users, who, together with similar industrial concerns, consume two-thirds of the entire sugar supply. Obviously the price of sugar has not been excessive.

Profits of sugar producers and processors have been adequate and assured. They have benefited from an assured market and a stable price. Now, under the circumstances of expanding domestic quotas, their outlook for the future is even better.

Rosy prospects for the domestic growers and processors are indicated by the "Special Study on Sugar" prepared for Congress this year by the Department of Agriculture. Projections made by this study group led them to the conclusion that "the domestic sugar industry has a substantial capacity to expand at present prices for sugar crops and present price relationships with competing crops.[16] And "at prices and price relationships that have prevailed in the recent past, domestic sugargrowers have the capacity to produce over 8 million tons by 1970 compared with 5 million tons in 1959—the base year for these projections—and the estimated 5.7 million tons in 1961.[17]

GROWERS HAVE RECEIVED MANY MILLIONS IN SUGAR PAYMENTS

The Sugar Act entitles the beet and cane growers to certain payments in return for their observing the quota requirements and the child labor and wage payment provisions of section 301. The payment varies from 80 cents per hundred pounds of raw sugar on farms producing a small tonnage to 30 cents per hundred on farms producing a large tonnage.

The big Hawaii plantations receive payments at the minimum rate, while the small beet farms and small canegrowers in Louisiana receive the maximum. This results in a highly anomalous situation; the area which pays the highest rate of wages receives the lowest rate of sugar payments, while the areas which pay the lowest wages receive the highest sugar payments.

Many growers who pay less than $1.15 per hour, the present Fair Labor Standards Act minimum, are nevertheless receiving payments from the Federal Treasury. We think that if the industry is to be subsidized, the subsidy should vary with the level of wages paid—the higher the wage, the higher the sugar payments.

Over the years during which such payments have been made (1934–60), they have aggregated $1,341 million.[18] This enormous sum has been paid to the industry out of the Federal Treasury at the same time that the industry has been paying the miserable wages described above.

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[16] Op. cit., p. 3.
[17] Ibid.
[18] Source: For 1951–59, "Agricultural Statistics," 1960, pp. 546 and 547; for 1934–50, "House Hearings on Extension of Sugar Act," Committee on Agriculture, serial J, p. 81. The figures for the years 1934–50 include Sugar Division administrative expenses.

Far more significant is the quota premium—amounting to $10 to $20 billion over the years since 1934—which arises out of the maintenance within the United States of a price which is higher than the world price. Both the domestic and the foreign producers have been benefiting from this price differential.

Our complaint is not with the existence of the subsidy. We recognize that the long-run stability of the industry depends on the maintenance of a domestic price which is higher than the world price. Our complaint is that an industry which enjoys such a subsidy has not been compelled to pay a decent minimum wage to the workers who produce the sugar.

We estimate that in 1960 foreign producers alone received a windfall from the quota premium (the difference between the domestic price and the world price) amounting to $180 million. To raise wages to the statutory minimum required by Fair Labor Standards Act, we estimate, would cost only about $30 million per year. This estimate is based on Department of Agriculture figures on man-hours worked and assumes that all fieldworkers are entitled to the present Fair Labor Standards Act minimum of $1.15 per hour.

The U.S. Treasury, under the terms of the present Sugar Act, already derives a profit from the act's operations. Receipts from the excise tax levied on the processors exceed sugar payments to the growers by some $25 million a year. This amount, too, should be considered in devising a means to bring sugar workers' wages up to the minimum. This sum alone is almost enough for the purpose.

In view of the windfall which foreign producers for the American market receive from the quota premium, in addition to the income from the excise tax, we believe that by exercising some imagination in redrafting the wage provisions of the Sugar Act, the necessary increase could be paid without hurting the domestic growers in the least.

It is quite obvious that funds are available or could readily be found within the operations of the Sugar Act, to assure all sugar fieldworkers a truly fair and reasonable wage.

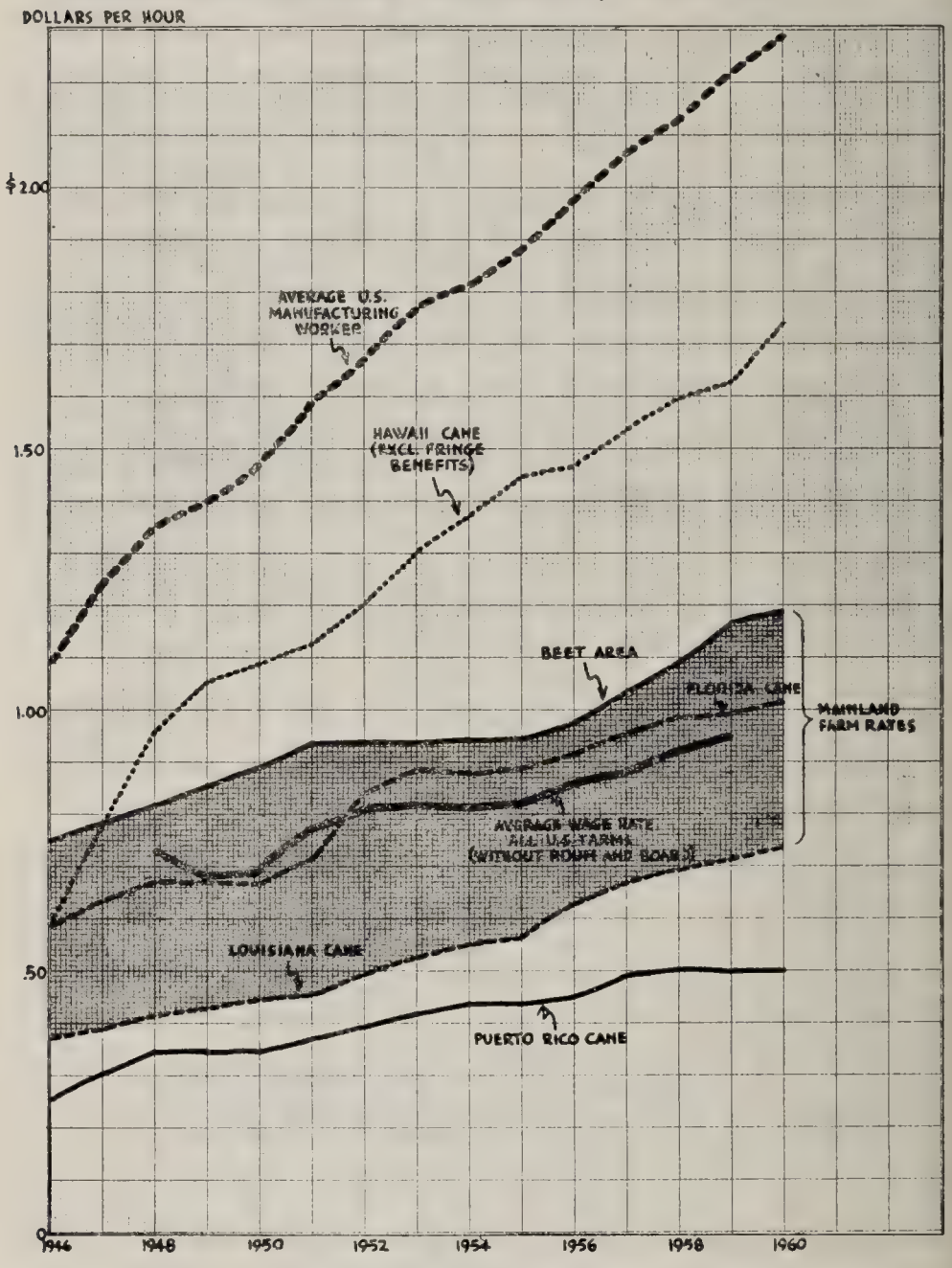
Franklin Roosevelt enunciated the basic policy: that an industry which receives a Federal subsidy should pay an American wage. The time is long since overdue to apply this principle to the sugar industry.

WHAT WE PROPOSE

The Sugar Act should be amended to provide—

1. That sugar compliance payments be made conditional upon a willingness on the part of the grower to recognize a bona fide union as the collective bargaining agent of the fieldworkers whenever it represents a majority of the work force.
2. That consideration should be given to raising the minimum compliance payment particularly in those areas which pay the Fair Labor Standards Act minimum.
3. That the Sugar Act be amended to require payment of Fair Labor Standards Act minimum wages to fieldworkers, and to provide the appropriate compensatory payments to the growers. In the areas where wages are lowest, the time period might need to be longer than in areas where wages already come close to the minimum, but in no instance should the time period exceed 3 years.
4. That the Secretary of Agriculture be required to make an annual report to the appropriate committees of Congress showing how the fieldworkers have fared with respect to wages and working conditions, and that he be charged with the duty of effective enforcement of the program.

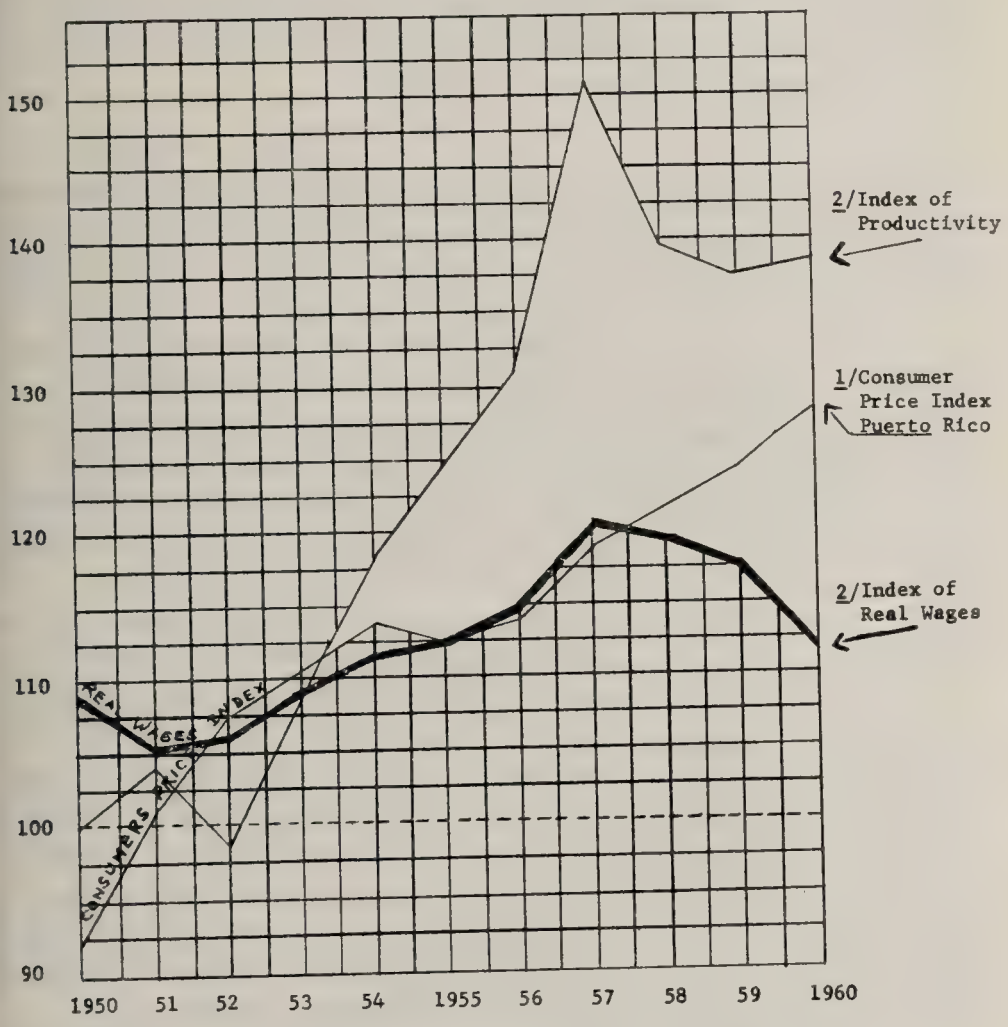
CHART I-AVERAGE EARNINGS OF FIELD WORKERS IN DOMESTIC SUGAR-PRODUCING AREAS, COMPARED TO AVERAGE U.S. FARM WAGE RATES AND AVERAGE EARNINGS OF MANUFACTURING WORKERS, U.S. 1946-1960



SOURCE: U.S. DEPARTMENTS OF AGRICULTURE AND LABOR

CHART II - AGRICULTURAL LABOR - SUGAR - PUERTO RICO

PRODUCTIVITY vs. REAL WAGES



1/ Bureau of Labor Statistics - Consumer Price Index - Puerto Rico

2/ U.S. Dept. of Agriculture - Agricultural and Stabilization Service - Sugar Division - Sugar Reports - Index of Acreage vs. Manhours.

WASHINGTON, D.C., *June 20, 1962.*

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR: As attorney for the Panama Sugar Group known as Asociacion Nacional de Azucareros, I am taking the liberty of addressing you in behalf of this organization concerning their views on H.R. 12154 (sugar bill).

In view of the limited time for the conducting of the hearings on this legislation before your committee, I am attaching hereto a copy of the presentation that I made in behalf of a 15,000-ton quota for Panama, before the House Agricultural Committee, and respectfully request that the same be made a part of the formal hearings held before your committee on this bill. I assure you that favorable consideration of this request and the printing of the Panamanian position on this all important legislation in the official record of the testimony taken, will be greatly appreciated.

Kindest personal regards to you always, I am,

Sincerely yours,

WESLEY E. MCDONALD, SR.

Mr. Chairman, members of the committee, my name is Wesley E. McDonald. I am a practicing attorney in the District of Columbia and State of Virginia, and I appear this morning before your committee to speak for and in behalf of the Panama Sugar Group. The organization I speak for is wholeheartedly opposed to those provisions of H.R. 11730, insofar as they affect the producers of sugar in foreign countries, with a special reference to the so-called global quotas as opposed to the present longestablished principle of country-by-country quota alocations. This group thoroughly agrees with the sentiments of the chairman as expressed in a press release of May 14, 1962, regarding global quotas and recapture of premiums. Global quotas are, in effect, no quotas.

The economic stability of Panama is of special concern and consequence to the United States because of the very unique and intimate relations existing between our two countries and because of the special economic interdependence of the Canal Zone and the Panamanian community. As a result of this unparalleled relationship, any condition of unemployment, unrest, or economic dislocation in Panama, should be of great interest to the Government of the United States.

The fact that Panama's unique type of economy depends by tradition on its geographical position and on the operation of the Panama Canal has become a cause of serious concern to both governments. In recent years determined efforts have been made to achieve a productive self-supporting economy for Panama that will relieve the Panama Canal operation of its heavy responsibility for the well-being of the Republic. These efforts are exemplified by the programs of various international agencies, but more particularly by the effective work of the ICA (point 4) mission to Panama and other direct assistance rendered by the U.S. Government. These efforts have produced such concrete results in stimulating agricultural production that the time has come to organize foreign markets for a portion of this production.

As an integral element in this program of reorienting Panama's economy it is considered that the most urgent necessity to the success of the program is now the securing of a very small export sugar quota of 15,000 tons a year of direct consumption (refined) to be provided to the U.S. market; the vital importance of this quota is emphasized by the following considerations:

1. Sugarcane is a basic raw product and is the second most important agricultural industry in Panama, being surpassed only by the cattle industry. It is one of the few agricultural products easily adaptable to local conditions and is produced by thousands of small farmers.

2. It is the policy of the Panamanian Government to discourage (and actually to prevent) any increase in processing facilities for sugarcane. Sugar production is, however, one of Panama's most important traditional industries, and the present plants have been developing with increasing efficiency. However, without an assurance of a quota from the United States it is impossible to compete with the depressed prices which are caused largely by the dumping that eixsts in the world's markets.

3. The present difficulty indicates that the industry may be obliged to curtail its production to the demands of the local market. This, in turn, would mean

that thousands of sugarcane farmers (colonos) would be deprived of their means and livelihood. This situation could create great social unrest.

4. The capacity of the sugar mills in operation is 42,000 tons and the industry will be compelled to operate, if Panama does not get a quota, at about 65 percent of capacity due to the fact that only 26,000 tons can be marketed within the Republic of Panama. If our request for this quota receives favorable consideration it will greatly help Panama to improve its present unemployment situation.

5. The sugar mills and sugarcane fields represent one of the largest investments in Panama, approximately $20 million, and is the result of more than 45 years of effort.

The following statistics clearly indicate that the trade balance between the United States and Panama is a most unfavorable one for the latter.

F.o.b. value in dollars

	Importation from United States	Exportation to United States
1957	58,474,256	21,097,488
1958	51,647,497	20,273,879
1959	51,201,244	21,541,668
1960	56,166,898	18,740,372
1961 January–October	[1] 50,740,869	16,722,126

[1] Preliminary figures.

An exportation or quota to the United States of 15,000 tons of Panamanian sugar would reduce this unfavorable trade balance by $1,400,000, and, an effort in this direction should be made bearing in mind that Panama has for years purchased all of its corn and rice from the United States to supplement its own production, as well as 95 percent of all flour consumed. In the last quarter of 1962 Panama will place in operation its first flour mill and will be purchasing from the United States in addition to the corn and rice in the neighborhood of 30,000 tons of American wheat per year.

It must be recognized by this committee of the Congress that sugar production has been a most vital factor in raising the standard of living in the rural areas of Panama where in some places one finds the lowest yearly income in the entire Western Hemisphere. The average wage and productivity prevalent in the sugar-producing areas are proving of great assistance and are reflected in other agricultural and processing activities in these areas.

An export quota of 15,000 tons yearly direct consumption would save important agricultural areas from serious economic dislocations and would implement in the most efficient possible manner the enunciated U.S. policy of assisting Panama to achieve economic independence from the canal by converting to an economy of self-production. Panama feels, that notwithstanding the fact that up to this time it has no special agreement with the United States similar to the one that exists with the Philippines for the purchase of sugar, it is of the opinion that it should be accorded the same consideration and treatment as is now given the Philippines in the matter of the importation of sugar into the United States.

Mr. Chairman, we have carefully refrained from belaboring this committee with a long presentation. We have endeavored to present to you in as concise form as possible the real reasons in support of our request for a very small quota of 15,000 tons for a friendly country as Panama whose relations are so closely interrelated in every way with our own.

Congressmen, this is one country where a small quota will go a long way.

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
June 21, 1962.

Re Sugar Act Amendment of 1962.

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: Your committee now has under consideration House passed amendments to the Sugar Act of 1948. In the interest of Kansas agriculture and in the interest of the overall economy of our State, I wish to call to your committee's attention several features of the bill which warrant committee study and amendment.

The recently approved farm bill will have a grave impact upon the economy of Kansas. As this Nation's greatest wheat producing State—Kansas produces about twice as much wheat in value as any other State and maintains the second largest grain storage capacity—it must anticipate that the proposed limitations on wheat production and storage will have significant implications for that segment of our economy.

It is imperative that the action of this Congress not compound this negative influence by limiting the opportunity of Kansas farmers to seek other ways to profitably utilize their land, their ingenuity and their industry.

To this end I recommend that your committee give serious attention to the following:

1. The domestic share of quota sugar should be maintained by requiring that deficiencies be reallocated among the domestic growers. The House bill provides that any deficiencies—and based upon past experience there are certain to be deficiencies—must be assigned to foreign growers. The integrity of the domestic allocation should be protected.

2. The domestic share of the growth factor should be substantially increased. This share has been increased to 63 percent in the House bill, but a greater share is justified. I do not take issue with the basic allotments but I do believe that our domestic growers and processors have a right to expect that they will participate along with other segments of our county in our Nation's economic growth. What justification is there in restricting this group to only a 63 percent participation?

3. The provision of the House bill governing the assignment of acreage allotments by the Secretary of Agriculture is vague and inadequate. This condition should be corrected in two ways. First, allocations to new producers should begin next year. Unless this is done, new processing facilities will not be provided and new domestic growers will hesitate to initiate planting for lack of processing facilities.

Second, and most important, the bill should require that the Secretary of Agriculture give priority in the assignment of acreage allotments to those areas where land has been retired under Government compulsion as a result of the production of surplus commodities.

I see no justification for the Secretary of Agriculture making acreage allotments to areas which are not now producing surpllus commodities while other Government agricultural programs are paying huge sums for land retirement. Priority should be given to reducing this Government expense and improving farmer income by utilizing domestic sugar acreage allotments to return retired land to alternate crop use.

I regret I was not able to present these views to the committee personally, but will appreciate having them made a part of the committee's record.

Very truly yours,

JAMES B. PEARSON, *U.S. Senator.*

STATEMENT BY ROBERT M. KERR, CHAIRMAN, AGRICULTURE COMMITTEE, SOUTHWESTERN OKLAHOMA AREA DEVELOPMENT ASSOCIATION

Mr. Chairman and distinguished members of the Senate Finance Committee, I would like to ask that this statement be included in the record as evidence of the feelings of the members of the Southwestern Oklahoma Area Development Association. Our not being there in person does not mean that we have lost any of our enthusiasm and fight for beet allotments in our area. We have experienced an extraturbulent June. Farmers in almost all areas here have had hail

(that is spelled "h-a-i-l," but it could very easily and appropriately be spelled another way). We do not have any paid members or lobbyists in our organization, and the short notice caught us when we were trying to get our crops planted again. However, we are wholeheartedly in favor of expanding quotas and acreages of sugar-producing crops, both beet and cane, in the United States, to be grown by the American farmer. We feel sure that this would help the American farmer, and we also believe that it would help all Americans for the following reasons:

1. Help somewhat to stop the flow of gold from our land.
2. Help reduce Government storage costs by growing a crop not in the position of being supersurplus, such as wheat and feed grain.
3. It would create new jobs. The building of the processing plants alone would create jobs for the lumber, steel, concrete, transportation, petroleum, rubber, automotive, and other industries too numerous to mention. Upon completion of the plants would come other jobs based on related industries, feedlots, etc.

We feel that these things would help the economy of the United States and that the benefits would far offset any ill effects of increased acreages here. We farmers of Oklahoma have organized to try to help ourselves through the sting of the present squeeze. We have valuable, irrigated land idled by lack of allotments. We aren't lazy; we do not want to be paid for not producing. We have the know-how to produce coupled with the desire. We now need the green light from Congress telling us to go ahead to produce. You might say, "Well, you have the go-ahead because there is no acreage control." However, we have contacted every plant within economical hauling distance, and they could not help us, because they were already operating at capacity.

Gentlemen, the agriculture industry still represents the largest industry in America. It is the largest user of steel and petroleum products. The economy of the Nation cannot long stay healthy without the farmer prospering, also. Many farmers are now being forced from their farms, and the majority of those left are not enjoying the economic status that most segments of our population today are enjoying. We ask you for favorable legislation to help us get into the sugar business. We ask for expanded quotas and new growing areas, and the right to get a new mill built in our area.

On behalf of the farmers in southwest Oklahoma and north central Texas, I thank you.

STATEMENT SUBMITTED ON BEHALF OF THE SUGAR PRODUCERS OF GUADELOUPE AND MARTINIQUE BY WALTER STERLING SURREY, COUNSEL

This statement is submitted by the undersigned, Walter Sterling Surrey, as counsel to the sugar producers of Guadeloupe and Martinique for consideration by the Senate Committee on Finance in the hearings on H.R. 12154.

In the interest of conserving the time of the Finance Committee, we are submitting this statement for the record rather than asking that time be given for an oral statement. However, in case there are any questions as to any portions of this testimony, we hold ourselves in readiness to answer such questions and, in fact, request the privilege of so doing.

There is also submitted herewith a modest booklet containing the pertinent economic facts concerning Guadeloupe and Martinique as sugar suppliers to the United States. The purpose of this statement is to summarize briefly the salient facts presented in greater detail in the booklet.

The sugar producers of Guadeloupe and Martinique are not newcomers in the supply of sugar to the United States. During the emergency of World War II and the difficult supply situation created by the cutting off of Cuba as a source of sugar for the United States, beginning in 1960 and continuing through the present, the sugar producers of Guadeloupe and Martinique were called upon to provide sugar to the U.S. consumers.

This is not surprising. The islands of Guadeloupe and Martinique are in the Western Hemisphere and clearly among the most accessible sources of sugar for the U.S. market. Together with Puerto Rico and the Dominican Republic, they form a nearby certain source of sugar just as available to the east coast refiners as was Cuba.

Secondly, being sugar economies there is no question of their ability to supply a given amount of sugar to the U.S. market. Not only can these islands produce sugar for the U.S. market, they are also capable of storing it. They can thereby contribute to the stability of the U.S. sugar market by being able to

supply sugar quickly to meet sudden demands for sugar consumption in the United States. This is of primary importance to the maintenance of a satisfactory price level for sugar in the U.S. market. Consistent reliable supplies of offshore sugar are necessary to maintaining a satisfactory economic domestic sugar industry.

Thirdly, these producers have not only had experience during the period of emergencies in supplying sugar to the U.S. market, but they have proven their willingness to do so even when it meant foregoing better prices. Thus, during World War II, the sugar producers of Guadeloupe and Martinique did not take advantage of potential sales in the higher priced wartime world market, but shipped a most significant amount of sugar to the United States at U.S. prices during the entire period of the war years. In actual fact, during those years the producers of Guadeloupe and Martinique shipped more than double the amounts shipped by any other foreign country, with the exception of Cuba.

More recently, beginning with the period when Cuba was cut off as a source of sugar to the United States, these islands declared their willingness to supply 185,000 short tons to the United States in 1961 and increasing quantities each year up to a total of 230,000 tons in 1965 and 280,000 tons by 1970. In November of 1960, these same producers had offered a firm 170,000 tons to the United States for shipment in early 1961.

The United States took partial advantage of this offer. Guadeloupe and Martinique received two purchase allocations in 1961, one for 25,000 tons and one for 50,000 tons. In 1962, they received one authorization—5,000 tons.

Shipments of this sugar during 1961 and 1962 were made rapidly to meet U.S. needs, and were sold primarily at an average price; that is, without regard to price to avoid any delays that might be encountered by price bargaining or by holding back on shipments for price advantages.

The experience that the sugar producers of Guadeloupe and Martinique have gained in supplying the U.S. market tempts the question as to whether they are only to be called upon to meet U.S. emergencies, which they have done without hesitation, or whether they should now be placed in a position of being able to plan on a long-term basis, to provide sugar to the U.S. market in known quantities.

An opportunity to supply a portion of the U.S. sugar market on a regular defined basis is of the utmost significance to the economy of these islands. They are located in what may well be termed the offshore Caribbean sugar bowl of the United States, where together with the other islands of the Antilles they, by reason of their climate and geographic situation, are essentially dependent upon the production and marketing of sugar for their economic existence.

The geographic factor is not only of importance ot the United States in terms of developing a long-term nearby source of sugar, but is critical to the economic development and well-being of these islands. Nature has given them no choice but to rely almost entirely on agriculture as the source of their economic development, and of all the agricultural products that can be most effectively produced, sugar is clearly the predominating product—the product that determines the status of the economy of the islands.

In these circumstances, it is clear that these islands cannot develop economically, as they should, if they cannot be assured of a reasonable and long-term quota in the U.S. market.

Insofar as these islands are concerned, any question as to whether any sales in the U.S. preferential market are of real benefit to the economy of the supplying country, can be answered with assurance. In the case of the islands of Guadeloupe and Martinique, it can be stated without qualification that the benefit of sales in the U.S. market go principally to the workers, both in the fields and in the factories. The sugar economies of these islands offer an outstanding example of the benefits of trade being spread among the largest population groups. For example, salaries of canefield workers and sugar factory workers add up to the equivalent of 54 percent of the earnings realized from sugar and sugar products exports. Basic rates for field workers and mill workers average between $2.20 and $2.40 U.S. dollars per day, and including social security benefits, these wages go as high as $3.50 per day. The wages reached this high level, unique for a sugar economy, at the time the French West Indies received U.S. purchase allocations in 1961.

Moreover, small sugar planters, the 2-acre independent farmers—the backbone of the sugar growing resources of Guadeloupe and Martinique—received additional benefits from higher export prices.

If the benefits of the U.S. market are not made available in some measure to the peoples of these islands, the policy of increasing wage scales will necessarily run into serious economic difficulties. On the other hand, if they can be assured of a satisfactory market in the United States over a long period of time, the islands will be able to rely upon and continue their program of increased wages and other benefits to the peoples of the islands.

These factors have been recognized by the U.S. Government. Thus, the reports of the U.S. consul to Guadeloupe and Martinique have established that sugar is the backbone of this essentially agricultural economy and only through better prices and expanding markets for its sugar exports can the islands satisfy the "revolution of rising expectations."

Any question as to why these islands, which are closely bound to Metropolitan France, cannot rely on the French market for the sale of all their sugar should be considered in the context of the following factors:

1. While Metropolitan France takes a significant part of the production of sugar on Guadeloupe and Martinique, the availability exceeds significantly the amount of sugar that France can absorb from these islands, primarily because former colonies of France are no longer available as markets;

2. Population increases in the islands require expansion of the sugar industry just to keep pace with the population growth; both of these trends are in excess of the rate of growth of the French market;

3. The natural trade area of the islands is with the United States; the United States is clearly the economic market for sugar produced on the islands and the United States is equally clearly the source for many of the goods required by the islands;

5. It is possible that in the course of time these islands will seek and achieve a greater measure of internal self-administration. Since they are in the Caribbean, they will naturally require closer economic relations to the United States and its Western Hemisphere policies.

The basic factors which it is suggested the Senate Committee on Finance consider with respect to supporting and increasing the quota assigned to the islands of Guadeloupe and Martinique under the House bill are—

1. Location, easy availability, and storage facilities;

2. Past history of deliveries to the United States, including the emergency of World War II and the 1960–62 period;

3. Past trade relations with the United States and future trade potential as well as future political developments; and

4. The need for the islands to be able to undertake healthy economic planning by knowing now the quantities of sugar which they will be privileged to supply to the United States over the next 5 years.

EMBASSY OF THE ARGENTINE REPUBLIC,
OFFICE OF ECONOMIC COUNSELORS,
Washington, D.C., June 22, 1962.

Senator HARRY F. BYRD,
Chairman of Finance Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: I have the pleasure of sending you attached hereto a copy of my letter to Mr. Herbert May, Deputy Assistant Secretary for Inter-American Affairs of the Department of State, in which I inform him that the Argentine Republic has 50,000 tons of sugar available for export to the United States, for delivery during the second semester of 1962.

The trade statistics contained in my letter to Mr. May emphasize the progressive deterioration of the terms of trade between the two countries. If the Argentine Republic is to continue its traditional purchasing patterns in this market, it will be necessary not only to increase its present exports to this market, but to find new products to sell here.

The exportation of some Argentine sugar to this market could constitute a regular source of dollar exchange, indispensable to increase our purchasing power. It should be recalled that in the past a considerable amount of the capital equipment required to industrialize our economy, has been purchased in the United States.

Thanking you for your kind attention, I remain,

Sincerely yours,

ALFREDO J. GIRELLI, *Economic Counselor.*

WASHINGTON, D.C., *June 5, 1962.*

MR. HERBERT MAY,
Deputy Assistant Secretary for Inter-American Affairs.

DEAR MR. MAY: I wish to acknowledge with thanks your letter of May 23, 1962, referring to the request of the Government of the Argentine Republic to obtain an import authorization to export sugar to this market during the first semester of 1962.

I take due notice of the reasons why it was not possible to allocate an import quota during the above-mentioned period, and of the proposed modifications to be introduced into the new Sugar Act, referred to in your letter.

At the same time, I have been instructed by my Government to advise the Department of State that the Argentine Republic has 50,000 tons of sugar available for export to the United States during the second semester of 1962, requesting that this information be brought to the attention of the authorities in charge of programing future allocations of this commodity.

As has been mentioned previously, Argentina is particularly interested in becoming a permanent exporter of sugar to this market as a positive step to alleviate its chronic trade deficit with the United States. The statistics which are transcribed hereafter emphasize the urgent need for remedying this longstanding problem.

	U.S. exports to Argentina	Argentine exports to the United States
1957	$280,310,974	$128,060,886
1958	248,109,532	131,475,981
1959	229,801,702	124,448,708
1960	347,185,146	98,773,684
1961	422,389,992	101,178,863

Yours truly,

ALFREDO J. GIRELLI, *Economic Counselor.*

NEW YORK, N.Y., *June 21, 1962.*

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building,
Washington, D.C.:

We would like to be on record with the Senate Finance Committee as being in favor of the Sugar Act amendments bill of 1962. It is felt that this bill serves a twofold purpose as it will aid the domestic economy and also improve American foreign trade. It will provide domestic sugar producers with a greater share of the U.S. market and thus stimulate employment. It will also strengthen our trade relations with free world countries, such as Australia, if greater amounts of raw sugar are permitted to enter the United States. This will enable Australia and other oversea sugar producers to purchase increased quantities of goods made in the United States and will also aid domestic employment.

JOHNS MANVILLE,
CLINTON B. BURNETT,
President.

Text of message received by Embassy of El Salvador on June 22, 1962:

"A basic quota of 20,000 tons sugar is essential for the economical and social development of our country in keeping with the spirit of the Alliance for Progress. El Salvador is greatly distressed over the possibility that United States adopt a global quota system which would be disastrous for Latin America. I consider it necessary U.S. Senate be informed contents this message.

"JULIO ADALBERTO RIVERA,
"*President-elect of El Salvador.*"

STUART, FLA., *June 20, 1962.*

Re sugar quota, British Honduras, Central America

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: As you know, the British Honduras Government is asking for a 30,000-ton sugar quota to be scheduled as follows: 1964, 5,000 tons; 1965, 10,000 tons; 1966, 20,000 tons; 1967, 30,000 tons.

This requested quota would be only three-tenths of 1 percent of the 9,700,000 tons, the total consumption estimated for the United States. Or, if the provisions of pending legislation are followed, foreign nations will probably be assured of supplying slightly more than 40 percent of the entire U.S. requirement. Then, the projected quota for British Honduras in 1967 would equal to only eight-tenths of 1 percent of the entire foreign quota.

I was disappointed to learn that the House Agriculture Committee had recommended a quota of only 10,000 tons.

In 1961 British Honduras purchased more than $7 million worth of products from the United States and we (the United States) only purchased $1 million worth of products from this pro-American English-speaking country. The 30,000-ton sugar quota alone could contribute more than any one other item to balance the trade and help balance their budget. By the sugar quota, we do not have to grant or give aid—here we are getting something in return.

Other reasons we should support a sugar quota of at least 30,000 tons are—

(1) In time of war or national emergency, sugar could be transported overland through Mexico.

(2) As a matter of equity, and above all to pro-American nations, we should permit these nations to participate equitably in the quota.

(3) As a means of encouraging economic development of British Honduras, this sugar quota alone will create many jobs. So that these people can help themselves to recover from the great losses sustained from Hurricane Hattie, a portion of the sugar quota has already been earmarked for distribution to 300 local farmers encouraging the capitalistic form of government.

(4) A quota of at least 30,000 tons is necessary to make the installation of a modern sugar mill economically feasible.

(5) And, most important, it will help reinforce the bulwark against communism:

I respectfully request you to support a sugar quota of at least 30,000 tons for the many reasons outlined above.

Sincerely yours,

C. B. ARBORGAST, Jr.

[Cablegram]

SANTO DOMINGO, DOMINICAN REPUBLIC, *June 22, 1962.*

A representative cross section of the Dominican people is justly worried over the way hearings on the Sugar Act are going. If the new and harmful bill is passed as now proposed, it would bring about an economic crisis in our country, which is in the first stages of recovering from a long distatorship that crippled our economic, moral, and social standards.

The Association of Dominican Industries, of which sugar is the mainstay, advises the honorable representatives of the American people that our country has a historic right to ask for a more humane understanding of our problems. From our powerful ally, to whom we sold our sugar during the last war, at normal and nonspeculative prices, as a contribution to the triumph of democracy in the world. Now that the Dominican people have the brilliant opportunity to erase past hurts and to start a new life, we believe that the great northern democracy will not close up to us our most important source of income, represented by sugar as our chief product.

ASSOCIATION OF DOMINICAN INDUSTRIES,
HORACIO ALVAREZ S.,
President.

HOMERO HOEPELMAN S.,
Secretary General.

WASHINGTON, D.C., *June 20, 1962.*

Hon. HARRY FLOOD BYRD,
Chairman of the Senate Committee on Finance,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: This letter is to inform you that the sugar industry of Ecuador, in general, strongly favors the passage of the sugar bill now before the Senate, as was approved in the House of Representatives. However, Ecuador feels that she should be granted a permanent basic quota of 50,000 short tons instead of the 30,000 tons recommended.

As you know, Ecuador is now actively participating in the Alliance for Progress program, which stresses self-help. The additional dollars received into our economy would help a great deal toward making our program a success. The 50,000-ton basic quota would enable us to employ 2,000 more people.

I should like to add that all the machinery used by the Ecuadoran sugar producers is manufactured and purchased in the United States.

For the record, I should like to draw your attention to the testimony of "Hearings before the Committee on Agriculture, House of Representatives, 87th Congress, 2d session, on H.R. 11730, page 492, statement of I. Irving Davidson, representing the sugar industry of Eucador."

Sincerely yours,

I. IRVING DAVIDSON,
Registered Agent, Ecuadoran Sugar Producers.

WASHINGTON, D.C., *June 19, 1962.*

Hon. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: As Washington counsel for the British West Indies Sugar Association, I wish to go on record with your committee as favoring H.R. 12154 as passed by the House of Representatives.

Under the bill as passed by the House, the British West Indies was allotted a permanent quota of 100,000 short tons and a temporary nonquota position in the U.S. market of 150,000 short tons. The quota for the British West Indies embraces all the territories that are members of the British West Indies Sugar Association, which includes British Guiana.

My testimony before the House Committee on Agriculture appears on pages 480–492 inclusive of the printed hearings on H.R. 11730. I have nothing to add to that testimony except to urge that the Finance Committee adopt the action taken by the House Committee on Agriculture and approved by the House itself when the latter voted approval on H.R. 12154 on Tuesday, June 19, 1962.

As counsel for the British West Indies Sugar Association, I would be available for questioning but in the absence of my formal appearance, I take this means of registering the views of my client on H.R. 12154 with your committee.

I respectfully request this communication be incorporated in the record of hearings on the sugar bill before your committee.

Respectfully submitted.

ARTHUR L. QUINN,
Counsel, British West Indies Sugar Association.

(Whereupon, at 7:05 p.m., the hearing was recessed, to reconvene at 10 a.m., Saturday, June 23, 1962.)

SUGAR ACT AMENDMENTS OF 1962

SATURDAY, JUNE 23, 1962

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to recess, at 10:10 a.m., in room 2221, New Senate Office Building, Senator Paul H. Douglas presiding.

Present: Senators Douglas, Talmadge, McCarthy, Williams, and Curtis.

Also present: Elizabeth B. Springer, chief clerk, and Serge N. Benson, professional staff member.

Senator DOUGLAS. The committee will come to order.

The first witness this morning is Mr. G. Douglass Debevoise, who testified briefly last evening in response to certain questions of Senator Fulbright, and will now present his affirmative statement.

Mr. Debevoise?

Good morning.

STATEMENT OF G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO.—Resumed

Mr. DEBEVOISE. Gentlemen of the committee, my name is G. Douglass Debevoise. I am most grateful for the opportunity to appear before you. I testify as president of the South Puerto Rico Sugar Co., a New Jersey corporation, which produces sugar in the Dominican Republic and Puerto Rico and which is owned principally by 8,000 Americans.

I will concentrate my remarks on matters pertaining to Dominican sugar, inasmuch as the Dominican situation presents to this committee, and to the Congress, the opportunity and challenge to support the recently constituted friendly government in the Dominican Republic in its struggle to lead its country from despotism to democracy. I am also submitting a more inclusive written statement, which I would ask be inserted in the record.

Senator DOUGLAS. It will be done.

Mr. DEBEVOISE. As you are aware, during the past year there occurred a profound change in the Government of the Dominican Republic, a change as far reaching as that which occurred in Cuba, but without the accompanying bloodshed and without a turn to communism.

On May 30, 1961, the Dominican Republic was freed of Trujillo. Following a brief rule under Balaguer, the Trujillo-inherited President, a U.S. supported seven-man Council of State, representing a middle-of-the-road program, came into power; its members were anti-Trujillo and are respected, responsible, pro-United States Dominicans.

In less than 3 months the Dominicans will be electing delegates to draft a new constitution, and free democratic elections, the first in over 32 years, are scheduled for December 1962.

The present Council of State is subject to strong attack from small but well-organized Communist Castroite groups ready to assume power if the democratic efforts of the present Government falter. The importance to the United States that the Dominican Republic does not fall under Cuban domination is clear. Of equal, and perhaps, greater, significance would be the repercussions throughout all of Latin America.

I do not want to reiterate to the boredom of this committee all the arguments against the proposed 5-year progressive, a peculiar word to use in this connection, attainment of global quotas and the recapture provisions applicable to the reallocation of the Cuban quota. I subscribe to any and all effective arguments against these proposals.

I am not inclined to panic or overstatement; but I am, however, required to give my calculated and objective appraisal of the situation. Based on my knowledge of the situation, were the United States to provide for any part of Dominican sugar to be sold with an attendant recapture provision equal to the difference between the United States and world price, the political impact on the present democratic Council of State would be disastrous. And combining this formula with an offer of trade as compensation—charity instead of trade, does not make it more palatable.

The U.S.-supported Dominican Government is actively carrying out the self-help principles of the Alliance for Progress program.

An income tax system has recently been established and the tax laws modernized; wages have been substantially increased; an agricultural reform law has been enacted to distribute 750,000 acres of former Trujillo properties to landless farmers, with the result that there are now over 5,000 independent sugar farmers; a home mortgage market has been established to support low-cost housing; steps are being taken to provide for development of small business and private joint American-Dominican investment; and reforms to establish strong independent labor movements are presently being studied.

In addition, the present Government of the Dominican Republic recognizes its role as a partner in the efforts of the United States to prevent the spread of the Castro influence in Latin America. In the January–February 1962 meeting of the OAS, the Dominican Republic actively supported the United States in ousting Cuba, with a speech by the Foreign Minister of the Dominican Republic comparing the Castro regime to the former Trujillo regime, having a strong impact on the other delegates.

Although, in general, I support H.R. 12154, I respectfully submit two changes: First, the basic quotas and the reallocation of the Cuban quota should be limited to Western Hemisphere countries and the Philippines; and second, the quota established for the Dominican Republic should be increased in recognition of the present political situation in the Dominican Republic, the natural role of the Dominican Republic in providing the United States with its offshore sugar requirements, and the vital importance of sugar in the Dominican economy. Let me give you the facts.

Sugar is the principal industry in the Dominican Republic, accounting for 55 to 60 percent of all wages and salaries paid in the industrial

sector. The sugar industry employs about 60,000 persons during the crop season, and even during the idle season 35,000 are employed. In 1969, the Dominican Republic exported more sugar than any other country in the world, except Cuba.

The sugar production in the Dominican Republic is in excess of 1 million tons, and unlike many of the other larger countries in Latin America, the Dominican Republic only consumes a small amount of its production locally and therefore must look to exports for the continued employment of its people in the sugar industry; nor does it, as do several of the other countries now included in H.R. 12154, have available to it any preferential market beyond its U.S. quota.

The fact is that the Dominican traditional world price market, the British market, has been disappearing at an accelerated rate during the last years as a result of the price-cutting tactics of the Russian satellite countries, which are utilizing Cuban sugar obtained at barter. In fact, the British market has now reached the vanishing point; in 1962, no sales are expected to the United Kingdom.

Of the several countries receiving major quotas under the House bill, the Dominican Republic will have by far the largest amount of homeless sugar after filling its proposed U.S. quota.

The question has been raised by many as to whether the benefits of the sale of sugar to the United States go entirely to large sugar companies, or whether these benefits reach the people of the country. Mr. Chairman, in the Dominican Republic the benefits do not trickle down to the people; they flow down to the people. They flow down through wages and fringe benefits paid to the workers, payments to independent farmers, taxes paid to the Government, general social progress outlays, and reinvestment in mills and equipment involving the purchase of locally manufactured products and utilization of local labor.

For example, in early 1962, in consultation with the Dominican Government and in anticipation of its return to a reasonable long-term participation in the U.S. sugar quota, substantial wage increases were properly granted by all Dominican sugar companies. The intended result of these increases has been to induce Dominicans to work in the fields in place of Haitian-imported labor, thereby significantly reducing Dominican unemployment.

The wage increases were substantial by any standards; canecutters, up 65 percent from $0.96 per metric ton of cane cut and hauled to $1.53 per ton; unskilled fieldworkers, not including canecutters, from approximately $1 to $2 per day; factory workers, increases of 25 percent to 103 percent, making for a minimum wage of $3.70 and going up to as high as $8.70 per day; and salaried factory employees received monthly increases amounting, in the lower salary scales, to as high as 80 percent.

Let me translate these increases into a single figure; the total value of these increases in 1962 will, for our company, approximate $4.1 million. The full significance of this figure in terms of impact on our company is best illustrated by the fact that it is greater than our total net profits after taxes in 1961, and twice our total net profits after taxes in 1960. In fact, these wage increases have raised the cost of production in the Dominican Republic well above current world market prices. Further, the sales in the U.S. quota market benefit the Dominican people through resulting substantial taxpayments to

the Government. For instance, our company pays a Dominican income tax of 56 percent in addition to export taxes on sugar shipped.

Adding all this up, our company's outlays for local wages, payments to independent farmers, and taxes will total this year approximately $25 million.

Mr. Chairman, these are the facts; these are the benefits to the people of the Dominican Republic from our sales in the U.S. market. There should be no misunderstanding. If the U.S. preferential market is taken away, or a quota established at an insufficient level, our U.S. shareholders will suffer; but the real loss will be that experienced first by the Dominican people, then by the Dominican Republic, and then by the United States in its critical foreign relations with all of Latin America.

Thank you.

(The statement and charts referred to are as follows:)

STATEMENT OF G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO., NEW YORK, N.Y.

My name is G. Douglas Debevoise. I am most grateful for the opportunity to appear before you. I testify as president of the South Puerto Rico Sugar Co., a New Jersey corporation, whose stock is listed on the New York Stock Exchange and which is owned principally by 8,000 Americans who closely observe our progress.

I appreciate this privilege of discussing with you the matters pertaining to Dominican and Puerto Rican sugar, especially the Dominican, inasmuch as the Dominican situation presents this committee, and the Congress, the opportunity and challenge to support a recently constituted friendly government struggling to lead its country from despotism to democracy.

Let me briefly review the present political situation in the Dominican Republic. During the past year there has occurred a profound change in the Government of the Dominican Republic, a change as far reaching as that which occurred in Cuba. But the Dominican change was without accompanying bloodshed and without a turn to communism.

On May 30, 1961, the Dominican Republic was freed of the tyrant Trujillo. For a brief period, members of his family attempted to continue his totalitarian rule. Their efforts failed. With the assistance of the U.S. fleet which appeared briefly off Santo Domingo, and after a short period of rule under the Trujillo-inherited President Balaguer, a democratic form of government finally came to power. That government is an interim government, ruled by a council of state consisting of seven respected, responsible, pro-U.S. Dominicans.

The Dominicans have thus anxiously begun to travel an admittedly difficult road to a stable democratic form of government, a road filled with many predictable pitfalls and unpredictable barriers. In less than 2 months the Dominicans will be electing delegates to draft a new constitution, and free democratic general elections, the first in over 32 years, are scheduled for the end of 1962. The political future of the Dominican people, most of whom have never experienced either the benefits or the responsibilities of a free society, is far from certain.

There are a number of agitating Communist Castroite organizations ready to take over if the present chosen democratic path fails. The great majority of the Dominican people are honestly searching for the firm establishment of a free democratic system of government. But inexperience, bewilderment, and confusion, which necessarily attend their first experience at hearing and reading freely expressed views from any source, can lead to a vacuum of inaction. If any such vacuum occurs, the small but well-organized Communist Castroite groups are ready to fill it.

The importance to the United States that the present efforts of the Dominicans besuccess ful, and that thee fforts of the opposition Communist Castroite groups be unsuccessful, cannot be overemphasized. As you know, the Dominican Republic occupies the eastern two-thirds of the island of Hispaniola; the western one-third of the island being occupied by the Republic of Haiti. The island itself is situated approximately 75 miles from Puerto Rico to the east and approximately 60 miles from Cuba to the west. It is closer to Cuba than this committee room is to Richmond.

A failure of the present government and a takeover by the Communist Castroite organizations, would have a direct impact on the course of the Republic of Haiti. Thus, the island of Hispaniola would be under Cuban domination.

Of equal, and perhaps greater, significance, would be the reprecussions throughout all of Latin America. As the Dominicans attempt to turn from totalitarianism to democracy, the other American Republics are fully aware of the U.S. special role in the development of a democratic Dominican Republic. Just as the success of the Dominican Republic would be to our credit, equally so its failure would be considered our responsibility. And the impact of this failure would be many times compounded were it to be the result of any undercutting of its economy due to action taken by the U.S. Government.

I support the overwhelming rejection by the House of the global quota formula and recapture provisions advanced by the administration. I do not want to reiterate to the boredom of this committee all the arguments against the administration proposed 5-year progressive (a peculiar word to use in this connection) attainment of global quotas and the recapture provisions applicable to the reallocation of the Cuban quota. I subscribe to any and all effective arguments against these proposals; they are so unjustified and so unreasonable that I cannot believe that this committee will indulge itself in serious consideration of them.

Let me, however, add one special fact of opposition peculiar to the situation in the Dominican Republic. As I mentioned above, the development of democracy in the Dominican Republic is, at best, in a tenuous position. Were the United States to provide for any part of Dominican sugar to be sold here at the U.S. price but with an attendant recapture provision equal to the difference between U.S. and world price, the political impact on the ruling Council of State could be disastrous. And combining this formula with an offer of aid as compensation—charity instead of trade—does not make it more palatable.

The Communist Castroite groups would reap the greatest political benefit out of such action; the new democratic government, they would stress, is treated just the same as the Trujillo dictatorship; the United States is not motivated by principle, but by Yankee imperialism. Alliance for Progress in the Dominican Republic could well become alliance with Cuba.

Gentlemen, I am not inclined to panic or overstatement; I am, however, as president of the South Puerto Rico Sugar Co. required to give my calculated and objective appraisal of the situation based on my recent visits there, the reports of our people, Dominican and American, stationed there, and the reports we receive from official Dominican and U.S. sources, and from other business sources. These reports come down to one basic fact—the future is far from certain and any action by our Government which tends to undercut the economy or the political position of the Dominican Government can well result in the forced resignation or fall of the Council of State. The decision rests at this time with this committee.

This brings up the question of the size of the Dominican quota. The quota established for the Dominican Republic in H.R. 12154 fails to recognize the present, critical situation in the Dominican Republic, the natural role of the Dominican Republic in supplying the U.S. offshore sugar requirements, and the vital importance of sugar to the Dominican economy. I am not here to argue at this time for a specific figure; I believe it is my duty to my company to outline briefly the facts. If you have the facts, your decision is bound to be both fair and fully consistent with the national interests of the United States.

The Dominican Republic in 1960 exported more sugar than any country in the world except Cuba—even more than the Philippines. It won't take a posse of economists to round up a successor to the sugar reserve of Cuba; the natural successor is right next door to Cuba.

And the role of successor can provide a vital economic thrust in assuring success to the present democratic Dominican Government. In its brief period in office the Dominican Council of State has done a commendable job. Upon assuming power, the Council of State found a virtual bankrupt economy. Substantial sums of money had "disappeared"—to use a diplomatic word for it—from the country with the departure of the former Trujillo members of the government. The gold and foreign exchange holdings of the Central Bank fell within a year from $45.1 million in the third quarter of 1960 to $6.8 million in November 1961.

In addition to the great loss of foreign exchange reserves, there was almost a complete breakdown of domestic trade casused by the disruption of political and some economic relations with most of the American Republics as a result of the OAS action, and by the governmental changeovers and accompanying general strikes. New foreign investment in the Dominican Republic had understandably

come to a halt. Unemployment was an islandwide disease; a substantial segment of the working population was idle, hungry, politically confused and a fertile field for a Communist Castroite dictatorship.

The situation, however, was not, and is not, impossible. The Dominican Republic economy is reasonably well organized with respect to basic economic development. In the very few months that the Council of State has been in office, the domestic economy has started upward; the financial position of the Dominican Republic has improved as foreign exchange reserves climbed to approximately $15.5 million in March 1962.

One of the first steps taken to meet this serious economic and political problem was to increase wages and salaries, principally in the sugar industry. This step was taken in reliance on the Dominican Republic securing a reasonable participation in the U.S. sugar quota over a long period of time.

The increased wages made it possible to attract enough Dominicans to work in the field, so that the practice imposed by the Trujillo dictatorship of importing cheap Haitian labor for cane cutting could be discontinued. Thus the standard of living was substantially raised and unemployment reduced.

Another step recently taken by the Dominican Council of State was the enactment of an agrarian reform law which provided for the distribution to landless farmers of 750,000 acres of former Trujillo-owned properties. Further steps are contemplated for assuring that all the people in the Dominican Republic will benefit from economic well-being and continued economic growth.

But the people in the Dominican Republic are not looking for handouts or gifts. After their long period of totalitarian rule, they now, more than ever, attach importance to, and are conscious of, fair treatment. This they have not had; this they desire and will respect. The opportunity to meet this challenge, or better, to take advantage of this healthy development in the Dominican political situation, depends in large part on the U.S. sugar policy. Indeed, the answer to that challenge rests in the hands of this committee.

Sugar is the source of energy on which the Dominican economy runs. But the Dominican Republic recognizes and has recognized that complete dependence upon sugar is not healthy for its economy, and is generally not good for the stability of the Western Hemisphere. It is a fact, however, that the financing of diversification must come principally from the sale of sugar at a reasonable profit.

Thus, sugar still is the main product of the Dominican Republic. Of all wages and salaries paid out by the industrial sector, 55 percent to 60 percent is accounted for by the sugar industry. The sugar industry employs about 60,000 persons during the crop season—20,000 in the factories, and the remaining 40,000 in the sugarcane fields. During the idle season, 35,000 are employed.

The sugar exports of the Dominican Republic in 1961 were 847,605 short tons. Of this amount, 346,398 short tons were sold in the United States at a penalty price, and the remainder in the so-called world market, including 260,382 short tons to Great Britain.

There has been, however, in the last years, an accelerated disappearance of the United Kingdom sugar market. In the past, the amount of raw sugar purchased by British refiners from non-Commonwealth sources depended almost entirely on their reexports of refined. Now, the Russian satellite countries, utilizing Cuban sugar by price undercutting, have been capturing the historical British reexport markets. The Russian satellites are even shipping refined sugar into the United Kingdom itself at prices lower than those that can be offered by the Dominican Republic for its raw sugar. This has resulted in a rapid shrinkage of that market, and that shrinkage has now reached its pitiful bottom; we expect no sales in the United Kingdom in 1962.

In effect, the Dominican ability to sell in the world market has disappeared. Thus, more and more the Soviet-Cuban dominated world market, unpredictable to all but the Soviet-Cuban block, has eliminated the last resort of homeless nonprotected export sugar.

The Dominican Republic is of vast importance to my company. This year marks the golden anniversary of our operations in the Dominican Republic; we, in effect, went there on the *Mayflower*, long before Trujillo took over.

Over the past decade, 72 percent of our company's tonnage was produced in the Dominican Republic. We derive over 60 percent of our total revenues from there, the lower percentage being due to our past reluctant dependence upon the world market for much of our sales. Our total plant in the Dominican Republic is valued at $74 million replacement value.

This raises the question considered by many in the executive branch as to whether the benefits of the sale of sugar in the United States go entirely to the

large sugar companies, or whether these benefits "trickle down," to use the experts' language, to the people of the country. Mr. Chairman, in the Dominican Republic the benefits do not trickle down to the people; they flow down. I only wish some of the facts would "trickle up" to our Government experts.

Let me give this committee the facts; at least I know you will be receptive to hearing and considering them.

The benefits from the sale of Dominican sugar in the U.S. market flow to the people of the Dominican Republic through wages and fringe benefits paid to the workers, payments to independent farmers, taxes paid to the Government of the Dominican Republic, general social progress outlays, and reinvestment in plant and equipment involving utilization of locally manufactured products and local labor.

The facts to which I will refer relate primarily to our operations. However, these facts are fully indicative of the operations of the other private sugar companies as well as the companies recently taken over by the Government of the Dominican Republic.

In early 1962, in consultation with the Dominican Republic Government and in anticipation of the return of the Dominican Republic to the family of free nations and its return to long-term participation in the U.S. sugar quota, substantial wage increases were granted by all Dominican sugar companies. The specific intent of these increases was to pass on to the workers the benefits of the anticipated sales in the United States and, as indicated previously, to provide sufficient inducement to the Dominican workers to work in the fields in place of Haitian imported labor, thereby reducing Dominican unemployment.

The wage increases were substantial by any standards; cane cutters, up 65 percent from $0.96 per metric ton of cane cut and hauled to $1.53 per ton; unskilled fieldworkers, not including cane cutters, from approximately $1 to $2 per day; factory workers, from 25 to 103 percent, making for a minimum wage of $3.20 and going up to as high as over $8.70 per day; and salaried factory employees, monthly increases as high as 80 percent for those in the lower salary scales.

Let me translate these increases into a single figure: The total value of these increases in 1962 will, for our company alone, approximate $4.1 million. The full significance of the figure $4.1 million in terms of its impact on our company is best illustrated by the fact that it is greater than our total profits after taxes in 1961 and twice our total profits after taxes in 1960. The significance of the figure of $4.1 million in terms of its impact on our selling price is best understood by pointing out that our cost of wages and our payments to independent farmers, apart from any other costs of production, approximate the price for sugar on the world market.

This is no "trickle down." Our wage scale reaches as high as wages paid by any Latin American country for comparable work.

And it is perhaps of greater significance to the people of the Dominican Republic that their wage increases are not diluted by inflationary forces but are transferred into increased purchasing power—into an increased standard of living. The economy of the Dominican Republic has not been the victim of the rampant inflationary forces existing in so many other countries. As is evident from International Monetary Fund statistics, as of December 1961, the cost of living in the Dominican Republic was 7 percent below that of 1953. As reported in April 1962, no other country showed a decrease. For example, our own country and Canada showed a 12-percent increase above 1953 levels.

In 1962, during the grinding season, 19,000 Dominicans will be employed by us and will depend on us for their livelihood. Even during the idle season, which we anticipate will be no more than 1 month this year depending on the weather and assuming a fair U.S. quota, as compared to 5 months in 1961, 7,000 Dominicans will be in our employ.

Our direct payments in 1962 to our workers and independent farmers will aggregate over $13.1 million. Our workers will, in addition, receive approximately $1.1 million as vacation pay, sick pay, and Christmas bonuses, for a grand total of $14.2 million to our workers and independent farmers.

In addition to our wage payments, there are the tax payments we will be making to the Dominican Republic. In the Dominican Republic, we are subject to export taxes on sugar shipped and an income tax of 56 percent. For the first time, all Dominican sugar producers are subject to the same type of taxes, and the same tax rates. These taxes further assure that the benefits of sugar operations in the Dominican Republic benefit the people, for the tax revenues finance government programs designed to raise the standard of living for all the people of the Dominican Republic.

We anticipate that our Dominican taxes for 1962 will approximate $6 million. Accordingly, from wages and taxes, we, the South Puerto Rico Sugar Co., will alone be paying out $20.2 million, an amount almost equal to the total receipts of the Dominican Republic in 1961 from the sale of coffee and cocoa, the second and third largest crops in the Dominican Republic.

The flow of benefits does not, however, end here. We, as an American company, have always felt obligated to advance the policies which our Government lately has officially adopted in the Alliance for Progress. We have always recognized the social dignity of our workers. Motivated by what I identify as enlightened self-interest, we have been, and are continually, undertaking social progress measures.

My pride will not be deemed unwarranted, I believe. I see the good results of our policy of treating our Dominican, American, and European workers identically and, in fact, giving priority to our Dominicans under our promotion program; of our adult education program to develop mechanical skills; of our agricultural scholarships program to provide talented youths with the opportunity to receive a college education; of our extensive housing program for our workers. Under this program we have provided on a rent-free basis over 5,000 temporary houses for our fieldworkers. At our factory, we have built, and provide also on a rent-free basis, 600 concrete houses with full indoor facilities. Finally, we are now in the process of completing extensive plans to construct concrete houses for our field labor at a cost of well over $1½ million.

Our program of reinvestment to maintain our plant also creates benefits for Dominican workers. We have, however, marked time in recent years in carrying out this reinvestment policy—for a good reason. Our actions were consistent with the policies of the U.S. Government to avoid, to the extent feasible, any action which would inure to the benefit of, and help maintain in power, the former Trujillo regime.

In 1962, however, we reinstituted our reinvestment program and have scheduled expenditures for maintenance and plant expansion of up to $2 million, dependent on political developments in the island. In large part, the direction such political developments take will hinge on the results of your considerations in this committee.

Mr. Chairman, these are the facts; these are the benefits to the peoples of the Dominican Republic from our sales in the preferential U.S. market. But there should be no misunderstanding. Admittedly, if the U.S. preferential market is taken away or diminished, the American stockholders of the South Puerto Rico Sugar Co. will suffer. But the real loss will be that experienced first by the Dominican people, then by the Dominican Republic, and then by the United States in its critical foreign relations with all of Latin America.

Let me state at this point that I fully recognize and appreciate the problem with which Mr. Moscoso, for whom I have the highest regard, and his associates are concerned—the problem of assuring that the benefits of sales of sugar in this market assist the economies and peoples of the supplying countries. The proper solution appears simple to me; perhaps I am too naive.

As I understand the Alliance for Progress program, the recipient countries of our aid, as a condition to receiving aid, are required to initiate and implement certain measures to assure that the benefits are properly distributed throughout the country. If, in fact, any one country is not taking such measures and is, therefore, not eligible for Alliance for Progress aid, I would suggest that it would be entirely appropriate to suspend that country's sugar quota at the same time AID assistance is suspended, until corrective measures are taken.

But we should not cut off the traditional benefits of the U.S. market to all Western Hemisphere countries because of the possibility of an unfavorable situation in one or two countries. If that be the logic of the situation, then is it not equally logical to suspend Alliance for Progress aid to all Western Hemisphere countries when one such country fails to meet Alliance standards? And if a country is incapable of administering satisfactory wage and tax programs on its sugar earnings, surely it is incapable of properly administering Alliance gifts and loans.

There has also been the fear expressed that an overexpansion of production will result from the temporary reallocation of the Cuban quota to other countries. The Western Hemisphere sugar producing countries have been repeatedly warned that eventually a part of the existing Cuban quota will be restored to Cuba.

I believe this warning should be reinforced by providing in the new legislation a specific quota for Cuba to come into effect by Presidential proclamation. This will also eliminate any hysteria at such time as Cuba rejoins the free world.

I support the provision in H.R. 12154 setting the Cuban quota at 1½ million tons plus participation in the growth formula. This recognizes Cuba's present,

and worsening, sugar production capacity; it avoids the unfortunate return to a system of overreliance on one country for our foreign sugar supply; it eases the problem of reallocation now and cushions the eventual impact on countries benefiting from such reallocation when the happy day arrives when Cuba returns to the family of free nations.

I also recommend that the quota allocations and all contingent allocations be fully spelled out by Congress, as H.R. 12154 does, and also that quotas be assigned only to Western Hemisphere countries and the Philippines, as H.R. 12154 does not.

These proposals will assure easy administration of the Sugar Act now and in the future; will guarantee a sure supply to the U.S. consumer; will provide needed foreign exchange based on the principle of trade between equals; and will offer a sound basis on which to build healthy economies. If the quotas are spread the world over, or if overreliance is again placed on one country, the benefits will become so diverse as to offer only tantalizing prospects and little real beneficial meaning to most countries.

Finally, with respect to Dominican sugar, I would like to urge favorable recommendation by your committee of section 18 of H.R. 12154, which provides for the return to the Dominican Republic of approximately $23 million collected through special fees on nonquota sugar purchases between September 26, 1960, and March 31, 1961.

The fees imposed, whether constitutionally imposed or not, were imposed by President Eisenhower's administration in order to achieve the desirable result of preventing the Trujillo regime from receiving the benefit of the higher U.S. prices for sugar for the Dominican share in the reallocation of the Cuban quota. Fees were not imposed on sugar coming from any other country.

Apart from the political correctness of the withholding of the price benefits of the Cuban reallocation to the Trujillo government, a legal issue arose. Accordingly, the South Puerto Rico Sugar Co., to protect the rights of its American stockholders, and the former Trujillo-owned companies, now completely taken over by the new Government, brought separate suits in the Court of Claims for the return of these moneys, on the ground that Congress had not authorized the imposition of any such import duties, and therefore their collection was unconstitutional.

Upon the overthrow of the Trujillo regime and the recognition of a democratic Dominican Government by the United States, the people of the Dominican Republic naturally believed that the money would be returned to the Dominican Republic. The position of the Council of State, and the Dominican people, is that the action of the United States in imposing the fees was obviously not designed to enlarge the Treasury of the U.S. Government, but to prevent a windfall to the Trujillo government. The Dominicans logically believed that the United States would hold these moneys in trust for the peoples of the Dominican Republic to be returned now that the Dominican people had established a democratic form of government.

The question of the return of this money has thus become a major political issue in the Dominican Republic. It is abundantly clear that a failure of the U.S. Government to return the moneys at this time to the Dominican Government, or an offer to return them through the Agency for International Development as a form of charity, would in either event cause a political crisis, directly playing into the hands of the small but militant Castroite Communist organizations awaiting the opportunity to attempt a takeover of the country.

Officials of the State Department in their testimony before this committee clearly stated that the money should be returned to the Dominican Republic. The question, therefore, becomes one of method of return.

The method of returning the money employed in section 18 of H.R. 12154 was actually initiated by, and at the time actively supported by, Mr. Moscoso and other officials of the Alliance for Progress program, in discussions in January-February 1962 with the Dominican Republic Government and our company, as the principal private sugar company in the Dominican Republic.

On the basis of requests made by Mr. Moscoso, our company, on its own initiative, negotiated and entered into an agreement with the government of the Dominican Republic. This agreement provides that in the event special legislation is enacted by the U.S. Congress authorizing the return of an amount equivalent to the collected fees, our company, with respect to its share, would forgo receiving any dollars returned, so that all the dollars would be deposited to the account of the Government of the Dominican Republic, thereby bolstering the foreign exchange of that country. Our company, under the agreement, would receive only the net amount in equivalent Dominican Republic currency, after payment

of Dominican taxes and payment to farmers, who originally supplied the sugar. The agreement further provides that such net amount of pesos shall be used for the construction of houses in the fields for use by our Dominican laborers and for improving roads. Thus, under section 18 all dollar amounts are returned to the Dominican Republic and neither the American stockholders of our company nor anyone else would receive any dollars. Our peso share of the return would be utilized for houses and roads to the benefit of the people of the Dominican Republic. Further, our company agreed to withdraw its lawsuit in the Court of Claims.

The other private company involved, whose claim amounts to approximately $1.5 million, has concluded a similar agreement. The remaining amount to be returned, approximately 60 percent of the $22 million, would be returned to the Government-owned sugar mills (which would also withdraw their lawsuit) and, accordingly, the return to the Government mills would inure to the benefit of the Government of the Dominican Republic, since there are absolutely no private interests (by stockholdings or otherwise) in these mills.

In labeling section 18 of H.R. 12154 as "undesirable" in its testimony before this committee, the U.S. Department of State did not contest the return of the money to the Dominican Republic at this time. In its statement before this committee on June 20, 1962, the Department of State merely indicated that it deemed it "wiser" that the money be returned through AID, rather than as provided in section 18.

It is not clear what the Department of State means by return of the money through AID. Based on a meeting with high officials of the Department of State late in March 1962, there is reason to believe that the Department of State means by its reference to returning the money "through AID" that the approximately $23 million would be provided to the Dominican Republic in the form of grant assistance.

At this meeting, our company was advised that the Department of State proposed to return the money through grant assistance, the money to be used for projects submitted by the Dominican Republic Government and approved by AID, none of which could be related to any of the activities or operations of our company or the other private Dominican company. We were advised further at this meeting, that although AID was prepared to provide such grant assistance, a condition of such assistance would be that our company must first dismiss its lawsuit against the U.S. Government.

In other words, an American company, owned by American stockholders was told to give up its lawsuit or there would be no provision of AID in this amount of money to the Dominican Republic. Our company considered that this approach constituted an expropriation of our lawsuit, which is a property right, and constituted pressure on the part of the U.S. Government comparable to that to which our company was exposed during the many years of the Trujillo regime. We rejected this approach.

The Government of the Dominican Republic also rejected this approach. In addition to its objections to treating the return as a matter of charity, the Government of the Dominican Republic stated that it did not desire to identify itself with an approach which involved the expropriation of the property right of an American company. The Dominican Government still maintains this position.

It should also be mentioned, contrary to the statements of those who opposed the return, that the private Dominican Republic sugar companies shipping the sugar on which the fee was imposed, had no choice but to make the shipments under the Dominican law, which imposed severe penalties for failure to ship such sugar, as well as under the ever-constant threat of Trujillo expropriation.

Nor does it appear that enactment of section 18 would involve any congressional interference with the judiciary. Congressional action would constitute recognition of the moral validity of the Dominican claim and of the necessity for prompt U.S. Government action. There would not be involved congressional judgment on the strictly legal questions at issue or in any other way interference with the proper role of the judiciary. In fact, it may be suggested that the Department of State proposal to return the money "through AID" does involve interference with due process of law, since it requires an American-owned company to give up a lawsuit against the United States as a condition precedent to the receipt of AID by the country in which it operates.

Finally, I would like to point out that 90 percent of all current earnings of our company on its current sales of sugar to the United States are returned to the Dominican Republic under Dominican regulations. Thus, our company in agreeing to make available all the dollars that would be returned as its share under

section 18, is not in a position to make up for such loss of dollar earnings by adjusting the amount of dollars retained on current sales; nevertheless, our company, which has been operating in the Dominican Republic since 1911, is prepared to do this in order to show its support of the present Dominican Government.

The willingness of our company to support section 18 is not to be interpreted as any disparagement of our valuation of the lawsuit. Our willingness stems solely from recognition of the immediate need for dollars of the Dominican economy, the desirability to support the present Dominican Government, the understanding of the benefits to be gained by providing badly needed housing and road improvements in the Dominican Republic, and most important, recognition of the fact that if the present Dominican Government falls, our Dominican company, with an investment having a replacement value of approximately $75 million, may well be lost.

I should like now to turn briefly to our company's operations in Puerto Rico. We have operated in Puerto Rico even longer than in the Dominican Republic—for 62 years, in fact. Last year our Puerto Rican mill processed over a million tons of cane, a new high for the last quarter century. I cite this achievement not only out of pride in what the Puerto Ricans are accomplishing, but also because there are some restless ones who wish to curtail Puerto Rico's quota.

These people are disturbed by the island's failure to meet quotas since 1956. The reasons for this failure are well known to you. Hurricanes, other damaging natural events, difficulties in adjusting to new growing and harvesting procedures have all played a part.

Certain steps have been taken, however, to correct those harmful causes over which man can exercise some degree of predictable control. That these steps are in the right direction is evidenced by the fact that the acreage harvested in 1960 exceeded that of 1959, and 1961's acreage was even higher. More important, yields have been increasingly greater each year. In fact, the 1961 crop was the highest since 1952.

This increasing improvement has been the result of more scientific planning and growing and through some introduction of mechanization. The individual producers have undertaken such measures as aerial spraying and sought improved efficiency in the use of labor and field machinery by lengthening the harvest season.

Our own company has created more employment by extensive night grinding. However, proper implementation of the 500-acre law, which limits to 500 acres the amount of land a corporation may own or control, and correction of the present situation cannot be fully effected without some means of providing the small farmer with the financial resources, the technical know-how, and the mechanization for correcting and improving growing practices.

Governor Muñoz has also recognized this problem. In fact, approximately 3 years ago the Governor of Puerto Rico, in a message to the legislative assembly, proposed that small farmers be permitted to enter into long-term contracts with servicing companies which would plant, cultivate, harvest, and process crops for a regulated fee. Servicing operators with adequate resources and technical knowledge to apply modern agricultural methods will boost production by 50 percent, at a conservative estimate. The servicing companies, which could be owned by mills, would not obtain ownership or control rights over the farm, thereby preserving the integrity of Puerto Rico's 500-acre law, with which our company has fully complied and against which we have no argument.

At the present time, a Governor-appointed committee, composed of representatives from government, farmers, and labor, are holding hearings to recommend action to be taken to correct the present situation. I believe this committee will recognize the need for action in the form of implementing the service contract concept and other progressive steps in order to increase productivity by providing the necessary financing, technical know-how, and mechanization needed to increase productivity.

So I urge you, do not cut Puerto Rico's quota now. Encourage the steps that are being taken, and give support to this American Commonwealth, which, under the wise leadership of such men as Governor Muñoz and Teodoro Moscoso, has become the showcase for the developing Western Hemisphere countries.

Let me, in conclusion, raise a new subject. For many years the directors of the South Puerto Rico Sugar Co. have been searching for new uses for both sugar and bagasse, the waste resulting from the production of sugar. Much has been done and is being done with respect to the utilization of bagasse. In fact, our own company in the Dominican Republic has been producing a chemical known as furfural for use, principally, by the DuPont Corp. in the United States. At

the present time, in light of the new political developments in the Dominican Republic, we, at last, feel free to expand this production in the Dominican Republic.

But not much has been done about developing new uses for sugar itself. This is a problem that faces not only our own company, but all sugar producers and all sugar economies. The future requirements of world sugar for human consumption are easily predicted; the only real variable is the rate of increase in population, for consumption per capita remains a stagnant figure. To solve the sugar economy of future generations, man must create new uses for sugar. The time to encourage the scientific breakthrough for new uses is now.

It has been our view that the responsibility for initiating the scientific research for developing new nonhuman consumption uses of sugar is the province of private initiative. Accordingly, last year our company engaged the internationally known U.S. management consulting firm, Booz-Allen & Hamilton, Inc., to undertake the first essential step, a scientific survey to measure the market of sugar uses as an industrial raw material and for other nonhuman consumption uses.

There is available for each member of this committee a copy of the report Booz-Allen & Hamilton has made to my company. I urge that it be considered at this time as opening up a new way of assisting the sugar producing countries of the Western Hemisphere in disposing of their sugar.

Let me briefly summarize the results of the survey. It confirms the fact there is virtually no market for industrial use of sugar at prevailing price levels. However, at price levels of 3.5 cents to 4 cents per pound of raw sugar and 4 cents to 5 cents per pound for refined sugar, a demand for 220,000 tons is projected in 1966 and 334,000 tons in 1971. The 1966 projection is more than double the present consumption of sugar for industrial uses.

This increase is based on existing known uses. One of the principal uses is the substitution of raw sugar for inverted molasses, formerly produced by Cuba and exported to the United States on a nonquota basis.

The really significant part of the report, however, is that if the Congress does provide for the availability of raw sugar for nonfood uses at prices significantly below the prevailing U.S. price, there will be stimulated a large amount of industrial research presently precluded because of the high cost of sugar. At this stage, I suggest the program be restricted to raw sugar.

As the committee can well appreciate, American research ingenuity will eventually create extensive new demands for sugar for nonhuman consumption. The achievement of this result over a period of time requires only that this committee acts now to authorize the importation of a fourth category of sugar—that is, raw sugar for industrial use.

To this end, I had prepared suggested legislation to authorize the importation of raw sugar at such levels for nonhuman consumption. I wish to stress the following points in connection with this proposed amendment to the legislation:

First: the sale of such sugar for such purposes be made available on a nonquota basis to suppliers of the U.S. and Western Hemisphere sources;

Second: the availability of a market for such sugar will obviously not interfere with the provision of sugar for human consumption to the United States at the premium price of the U.S. market;

Third: the availability of such sugar on a nonquota basis can offer a regular increasing market to the sugar-producing countries of the Western Hemisphere, enabling them to mitigate the inherent pitfalls of placing any reliance on the Soviet-Cuban controlled world market as the only market for the sale of sugar produced over and above the fulfillment of their U.S. quotas;

Fourth: the use of sugar for known, and yet to be discovered, purposes, offers untold benefits to people everywhere.

Our board of directors has been most gratified at the very careful survey undertaken by Booz-Allen & Hamilton and we feel that in authorizing this survey we have undertaken a project that can be of significant benefit to the sugar-producing countries of the Western Hemisphere. We have done this in full recognition that in the U.S. system of free enterprise it is free enterprise itself which must open the way to progress and expansion.

Let me briefly summarize my testimony:

First, let us recognize categorically that global quotas, whether arrived at immediately or tortuously over 5 years, and any recapture provision applicable to the Cuban reallocation, defy the successful history of the Sugar Act. Insofar as the Dominican Republic is concerned, the very making of these proposals by the administration jeopardizes the Dominicans' understandably unsteady steps toward achieving a sound democratic form of government. Let not this Govern-

ment, as the Dominicans leave the jungle of despotism, make their course more difficult, if not impassable. Let us not be beguiled by economic theories that defy history and commonsense; let us act responsibly in full recognition of the aspirations of the peoples in the Dominican Republic, indeed of all people to our south, in their hungry quest for economic improvement through supported self-help in an environment of progressive democracy;

Second, let us serve notice now in this legislation that where Alliance for Progress aid is suspended by reason of a recipient country failing to undertake proper self-help programs, the privilege to sell sugar in the U.S. market will also be suspended. Let the American citizen be assured that the privileges of both our aid, and of our trade in our preferential sugar market, are conditioned on the economically and politically sound premise that the benefits realized from both must be shared by all peoples;

Third, let us, for both selfish and unselfish reasons, always remember that the Western Hemisphere is the sugar bowl of the United States. Practical recognition of this fact can be secured by providing that our off shore sugar requirements be met from the Western Hemisphere and the Republic of the Philippines. This will benefit our consumers by assuring generally accessible high quality sugar; but it will also benefit our partners in President Kennedy's eloquently inspired Alianza para Progreso program;

Fourth, let us not handicap Puerto Rico, America's showcase of what inspired self-help can realize in a developing country, by attacking now its historical sugar quota position;

Fifth, let us in maintaining the proven practice of the sugar quota system not forget that the American tradition is to build on success, to look now to the future and to solve rationally and predictably the problems of the future. Let us seek new markets for sugar by encouraging the discovery and development of new industrial uses for sugar. Let us achieve this by providing for a new category of nonquota sugar for industrial uses to be available for supply from United States and Western Hemisphere sources.

Mr. Chairman, gentlemen of the committee, this concludes my statement. I thank you for your indulgence and hold myself ready to answer, to the best of my ability, any questions you may have on any aspect of my statement.

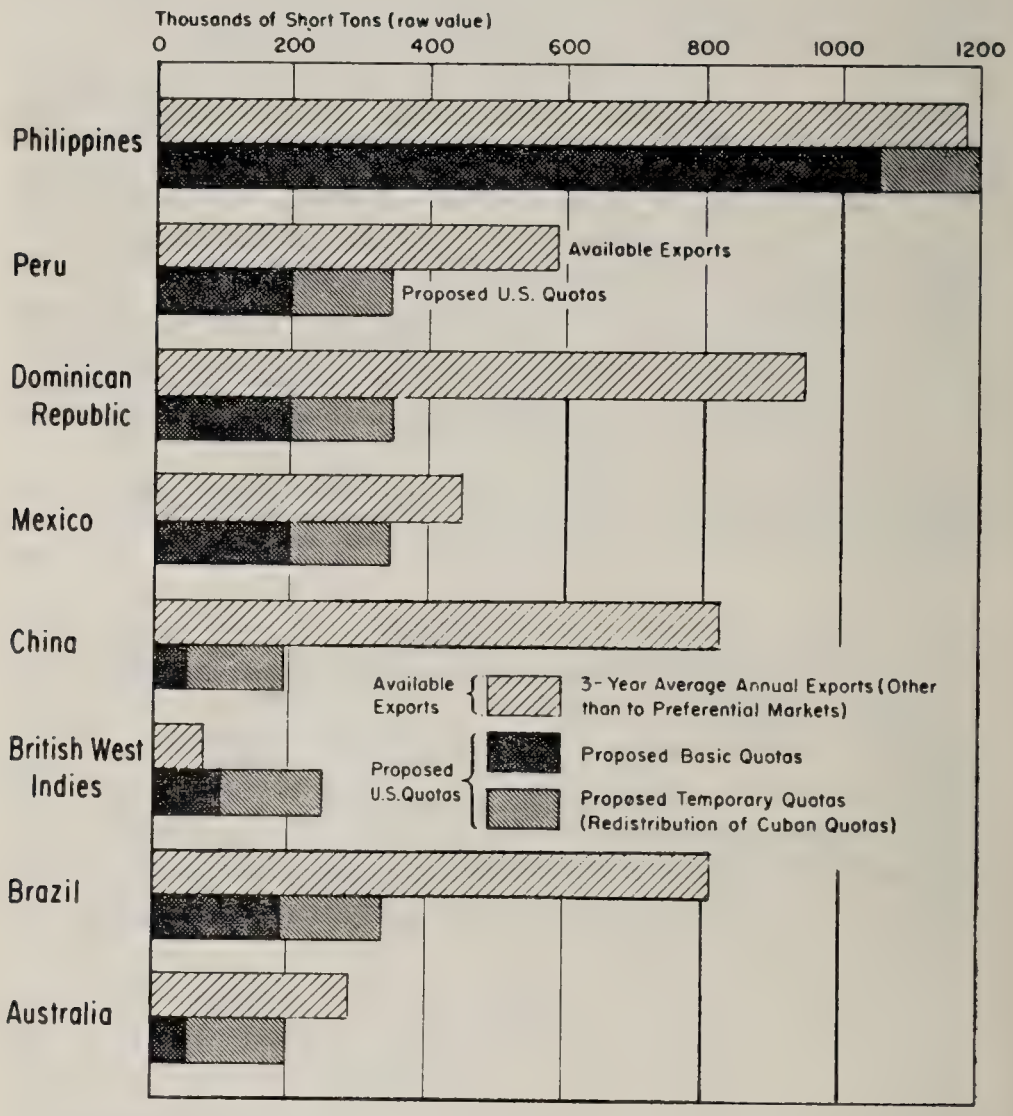
Thank you.

SUBMITTED BY G. DOUGLASS DEBEVOISE, PRESIDENT, SOUTH PUERTO RICO SUGAR CO., NEW YORK, N.Y., IN CONNECTION WITH TESTIMONY BEFORE THE COMMITTEE ON FINANCE OF THE SENATE, JUNE 22, 1962

Subsection 212(4) of the Sugar Act of 1948, as amended (relating to the inapplicability of quota provisions), is amended to read as follows:

"SEC. 212. The provisions of this title shall not apply to * * * (4) any sugar or liquid sugar imported or brought into the United States from countries in the Western Hemisphere or produced or manufactured in the United States for the production of alcohol, or of any other products of fermentations, or for animal feed, or for the production of animal feed, or for use as a raw material in the manufacture of chemical products, or as an additive in non human food applications."

AVERAGE ANNUAL SUGAR EXPORTS vs. PROPOSED U.S. SUGAR QUOTAS[1/]

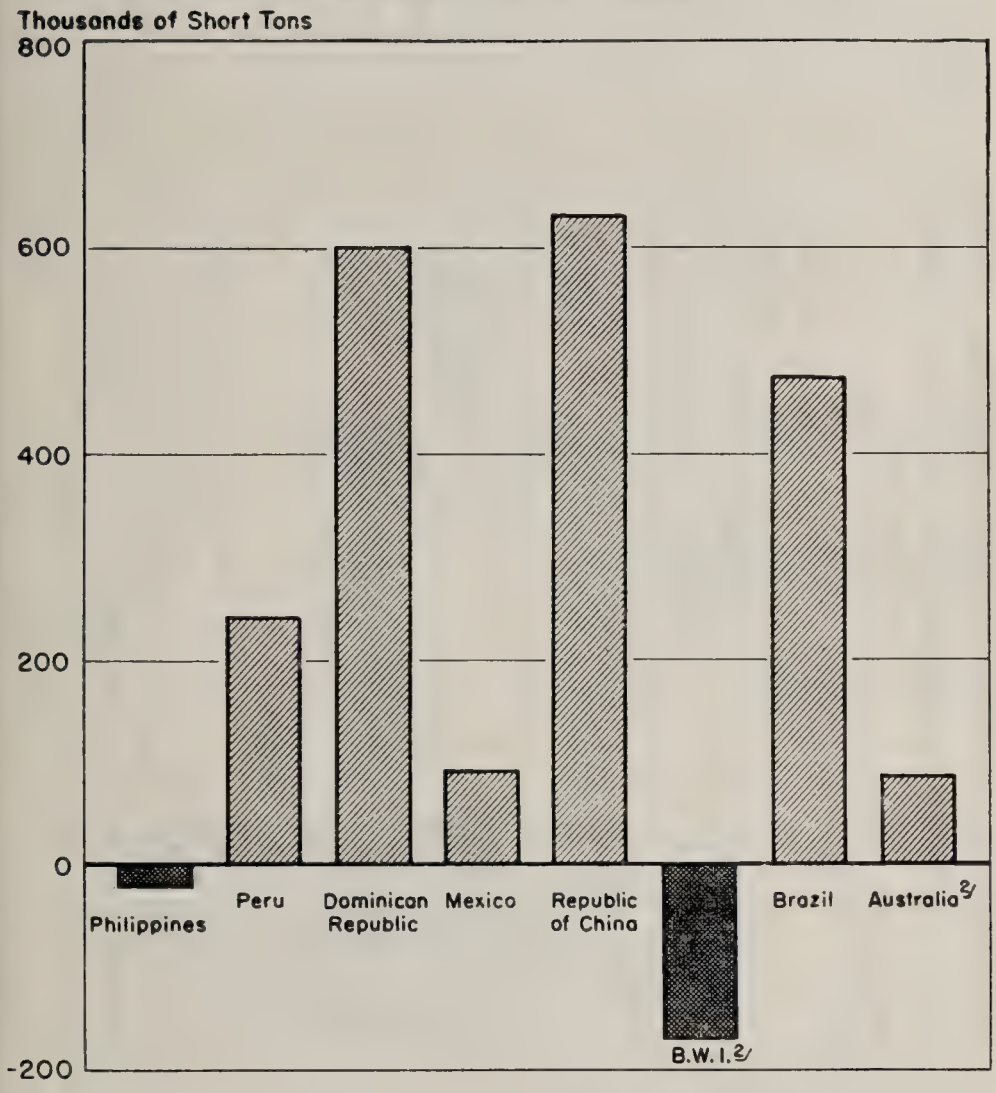


1/ As proposed in H.R. 12154

Source: Sugar Act Amendments of 1962; June 15, 1962, page 10.

SUGAR EXPORTS REMAINING FOR SALE ON THE WORLD MARKET

(Average exports of sugar after deducting proposed U.S. Quotas[1/])



[1/] as proposed in H.R. 12154

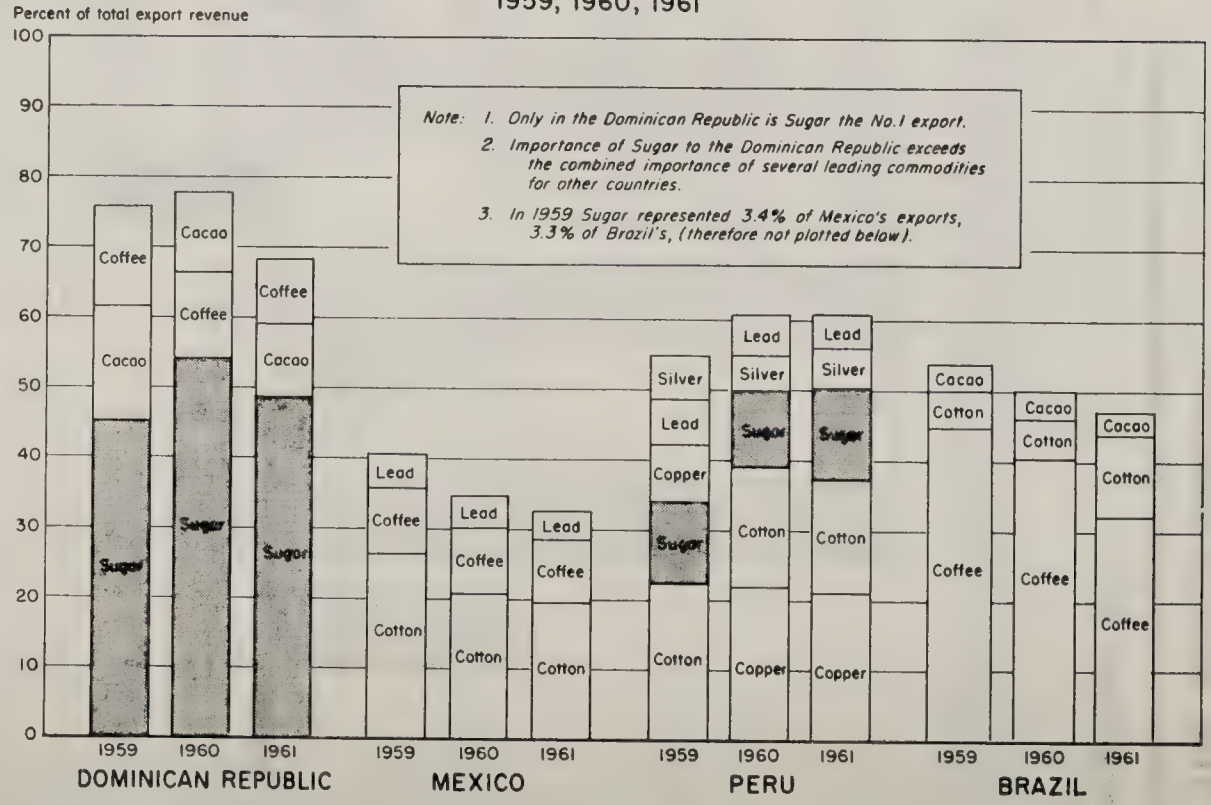
[2/] excludes exports to preferential markets (i.e., Commonwealth markets)

Source: Report, Sugar Act Amendments of 1962. June 15, 1962-page 10.

85601—62——28

PERCENTAGE OF TOTAL EXPORT REVENUE DERIVED FROM LEADING COMMODITIES IN EXPORT TRADE

1959, 1960, 1961



Source: "International Financial Statistics", I.M.F., Vol. XV, No. 6, June, 1962.

Mr. DEBEVOISE. I stand prepared to answer any questions which you may direct to me.

Senator DOUGLAS. Mr. Debevoise, what was the permanent quota assigned to the Dominican Republic under the law of 1961?

Mr. DEBEVOISE. I think we got, after the growth and everything, I think it is about 90,000 tons today.

Senator DOUGLAS. 96,000 on permanent quota?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. And the temporary quota was 222,723 tons. Are you aware of the fact that all countries were told that the quotas which they received were in no sense precedents for continuation? This was a reassignment of the Cuban quota, and it was made clear on the floor of Congress that these were not permanent reassignments. They were temporary due to the fact that because of the performances of Mr. Castro and his government we were ceasing to import sugar from Cuba. Is it not true that everyone knew this was a temporary assignment and was in no sense permanent?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. What?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. That is true?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. Is it not true that our State Department made this perfectly clear to all foreign governments?

Mr. DEVEVOISE. I would imagine so, sir.

Senator DOUGLAS. I am so assured.

Now, were you here when I gave my Yellowstone Park illustration yesterday? It is not when you feed the bears that you get into trouble; it is when you stop feeding them.

Mr. DEBEVOISE. Yes, sir. You told a number of stories which were new to me and which I enjoyed very much and which are very applicable.

Senator DOUGLAS. This is what we face.

Mr. DEBEVOISE. May I make one observation, sir?

Senator DOUGLAS. Yes, certainly.

Mr. DEBEVOISE. I don't follow your reasoning. As I see it, the consumer will not pay any lower price for sugar under the House bill.

Senator DOUGLAS. That is correct, but the taxpayers—who are identical to the consumers—will get $150 million.

Mr. DEBEVOISE. The State Department says it will be returned in aid, sir. Aid is notoriously of greater expense to the taxpayer. I cannot follow your argument.

The Dominicans will get it back in aid. To me, trade is far better than aid. The Dominican Republic buys in the United States.

I don't follow you.

Senator DOUGLAS. Whether or not you get this back in added sums certainly it is a very poor way, in general, to distribute aid by giving bonuses and subsidies to those who happen to produce sugar. When the representative of the Dominican Republic takes the stand, I am going to congratulate him on the progress which his Government had made, and due to the fact that Trujillo wound up with nearly all of the sugar in the country in his control, I realize that the nationalization of the Trujillo estates means that the Dominican Republic, and, therefore, presumably, the Dominican people will get the benefit of the subsidies which would have gone to Trujillo and to you.

Nevertheless, this is an extremely haphazard way of distributing aid. Of course it is also true that, and I think in all frankness this should be stated, although I am well aware this will undoubtedly be used against us, I am well aware of the fact that the total amount of foreign aid will not necessarily be increased by the $150 million which will go into the American Treasury. But I do not believe in deceiving anyone. So there will be some savings.

But many of us who are friendly to foreign aid feel the American taxpayer is also entitled to a break.

Yes; go ahead.

Mr. DEBEVOISE. May I ask you one question?

Senator DOUGLAS. Yes.

Mr. DEBEVOISE. Is not the great weakness of your position, sir, that you must protect the American industry and at the same time you have a sugar shortage and you don't want to pay the same price to foreign suppliers?

If you could do what you suggested for many years and buy all sugar at world prices, this would be equitable, would it not, sir? That is the difficulty you face, it seems to me.

Senator DOUGLAS. Mr. Debevoise, long ago I thought I was going to be able to reform the world, and then I hoped that I could reform the United States. Since then my ambitions have been narrowed.

I would like to repeal the entire system of duties and subsidies, in which event, I think sugar would be produced by the countries which are naturally adapted to producing sugar, namely the Caribbean countries. We could buy at world prices, and get rid of this subsidy to the domestic producers, and save, as I think our figures show, something like $550 million a year in prices, plus $72 million a year in cash subsidies which are paid out by the American consumers and taxpayers. But for many years now, as a politician, I have come in conflict with stubborn reality, and I know that the beet sugar States and the cane sugar States are so strong that we will certainly not be able for a long time to do that.

Now, does this mean that we can't take any steps to approach this? Does this mean that we must do nothing?

I have learned, Mr. Debevoise, that you must take a harsh stand, that is all you can do, and $150 million is still, to my mind, a lot of money.

Mr. DEBEVOISE. It certainly is, sir. But I think the friendship of South and Central America is well worth that.

Senator DOUGLAS. Well, you see——

Mr. DEBEVOISE. That is the question.

Senator DOUGLAS. That is the constant appeal.

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. We build up these vested interests and then these groups feel that they have a claim upon the United States. If we do not shell out then it is said, "You will lose our friendship."

I think they take a very mercenary attitude toward the United States.

We must always be giving, they say.

We are getting off into these questions, but these are matters that the people and the Congress will have to decide.

Let me ask you this question, to turn from general matters to specific questions: Do you have an American representative? Does the Dominican Sugar Association have an American representative?

Mr. DEBEVOISE. The Dominican Sugar Association?

I don't know, sir.

Senator DOUGLAS. You are not a member of the Dominican Sugar Association? That is a governmental institution?

Mr. DEBEVOISE. That is governmental.

Senator DOUGLAS. I see.

And you don't participate in that?

Mr. DEBEVOISE. We pay a tax to support the Defensa, as it is called, of 5 cents a hundred pounds.

Senator DOUGLAS. But you have no control over the distribution?

Mr. DEBEVOISE. No.

Senator DOUGLAS. Is Mr. Ortiz going to testify this morning?

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. Well, I can ask him that question.

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. You mentioned the fact you have lost the British market.

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. How is that? How has that occurred?

Mr. DEBEVOISE. This won't take half a second.

Senator DOUGLAS. Yes.

Mr. DEBEVOISE. I will just read this statement made by Sir Ian Lyle. He is the chairman of the Board of Tate-Lyle, and he said:

> Two points of particular general interest stand out in the annual review of the chairman of Tate & Lyle, Ltd.—Sir Ian D. Lyle. These are the company's loss of nearly 5 percent in the volume of home trade sales and 37 percent in exports due to the diversion of Cuban sugar to Russia and other Iron Curtain countries and, second, the long-term prospects if the United Kingdom joins the Common Market.
>
> Much of this Cuban sugar, bought for political reasons, was unwanted by the Communists who, in order to make room for it, sold large quantities of their own production at whatever price it could command. Russia and her satellites exported some 336,000 short tons more in 1961 than in 1960 and much of this found markets in the Middle East, replacing Tate & Lyle's refined product. There is evidence, said Sir Ian, that Russia intends to keep up this pressure with the deliberate aim of capturing these markets as part of a general policy of aggressive trading at the expense of the free world.

They are selling refined sugar to the foreign markets of Tate & Lyle, such as Singapore.

Senator DOUGLAS. Do I understand what has happened is that Russia and Poland have bought Cuban sugar, 80 percent under barter, and then they turn around and sell it to Great Britain and our allies?

Mr. DEBEVOISE. They refine it, sir, and sell it into the former British market.

Senator DOUGLAS. And the British know that this sugar is coming from Cuba?

Mr. DEBEVOISE. Yes.

Senator DOUGLAS. So Great Britain is really a tacit partner in financing Castro in that they buy sugar from Russia which, in turn, helps Castro.

Mr. DEBEVOISE. No; sir; they are not buying sugar. They are unable to sell sugar in their former markets. They used to buy sugar from us and refine it——

Senator DOUGLAS. No, I am speaking of the British.

Mr. DEBEVOISE. They are not buying any of this Cuban sugar.

Senator DOUGLAS. They are buying Polish and Russian sugar?

Mr. DEBEVOISE. The British people may be because it is so cheap.

Senator DOUGLAS. I understand.

Mr. DEBEVOISE. I do not know whether they have put up any law to keep it out.

Senator DOUGLAS. The British Government is not preventing——

Mr. DEBEVOISE. I don't know whether they are now, sir, or not, but I know——

Senator DOUGLAS. You say you don't expect to sell any sugar?

Mr. DEBEVOISE. That is correct.

Senator DOUGLAS. So, therefore, you evidently expect that the Cuban sugar will continue to come into England via Russia and Poland.

Mr. DEBEVOISE. No, sir, because our sugar—it is a peculiar thing—our sugar had to be reexported by the British as refined. It was not sold in England for local consumption. That sugar was Commonwealth sugar. Whatever sugar they bought outside the Commonwealth such as from Domingo, was refined and reexported to the Straits Settlements, Hong Kong.

Senator DOUGLAS. I see.

Mr. DEBEVOISE. Now, the Russians are selling those markets today.

Senator DOUGLAS. I see.

Mr. DEBEVOISE. At prices the British cannot afford to sell, therefore they don't buy Dominican sugar.

Senator DOUGLAS. I am very glad that is cleared up.

In other words, the British have not broken faith.

Mr. DEBEVOISE. No, sir.

Senator DOUGLAS. I am very glad that is cleared up.

Mr. DEBEVOISE. No, sir. The British have never—I go over every year, they couldn't be nicer people to deal with, but we used to sell them, my company, a hundred thousand tons a year, and this year there are no sales whatever.

Senator DOUGLAS. What has been done has been to cut into the indirect sales of your sugar in southeastern Asia?

Mr. DEBEVOISE. Yes, sir. There is a little chart attached to my statement that may interest you. You will notice we have a tremendous amount of sugar over and above any proposed U.S. quota which you might call homeless—in other words, we have no subsidized market to sell it in. This sugar will have to go on the world market. You will notice on the chart that the Dominican Republic has an excess of 600,000 tons after giving effect to the quota allotted by the present House bill.

Now, the only place left to sell this sugar that I know of is Japan, and that is a long way off, and that is really China's market, you might say.

So this is a serious proposition for us, sir.

We are very dependent on the U.S. market; I am sorry to say it, maybe I am avaricious but the Dominican situation is a little worse than perhaps some of the others, because we have no big local consumption and we have no other preferential market.

Senator DOUGLAS. Now, the State Department is aware of this situation. The State Department certainly, I think, probably made a great mistake in supporting Trujillo as long as they did. I was always an opponent of Trujillo, but they finally woke up to what was happening in 1960, I think they began to tighten on Trujillo, and

certainly they have tried to be, since the new administration came in, cooperative with the new Government.

Now, don't you think that the State Department would be generous in the amount which they would give you at world prices during this transitional period? Why do you want to have this done by act of Congress?

Mr. DEBEVOISE. Could I make clear something perhaps I didn't last night. As I told you last night, I was tired when Senator Fulbright got after me.

Senator DOUGLAS. Well, I wouldn't say he got after you.

Mr. DEBEVOISE. I beg your pardon.

Senator DOUGLAS. He pressed you very closely. [Laughter.]

Mr. DEBEVOISE. He badgered me.

Senator DOUGLAS. Go ahead, sir.

Mr. DEBEVOISE. He said we made a very good profit in 1961. That is true, and I would like to explain it a little better, because that was the year when the 2 cents and 2¼ cents fee was imposed on us. In other words, we sold at world prices.

Senator DOUGLAS. That is right.

Mr. DEBEVOISE. Our costs during that period were probably 3 cents—this is under Trujillo—and we probably got 3.40 cents as an average, that is $8 a ton which is a very nice profit. Today, sir, as a result of the wage increases that have gone into effect—and properly so—in the Dominican Republic in anticipation of a share of the U.S. market, our costs are probably 3.40 cents and the world market is 2.60 cents.

Now, when I said "I could not sell you sugar," I could sell you some just to keep going so that I could last until the picture changed, but there would be unemployment, I would have to let a great many people go, and that would be bad in a country like the Dominican Republic today.

You would believe me if you had been down to the Dominican Republic recently. I go every 6 weeks and I am scared to death most of the time. It is these Castro fellows who scare you. They are only 60 miles away from the island. You can take all of my quota if you get of rid of Castro tomorrow, because the Dominican Republic will be saved if you get rid of Castro.

But I think the Dominican Republic is a great chance for our State Department to win a sweeping victory for democracy, it won't go the way of Cuba, in other words, with a little help, and I would prefer some help under this bill rather than aid, because I do not believe you will reach the Dominican people the way we and the Government are doing today.

That is all I can say. I don't mean to be avaricious.

Senator DOUGLAS. You made reference last night, I think, to the fact that—no; that is in connection with the $22 million suit.

Mr. DEBEVOISE. Yes, sir.

Senator DOUGLAS. You made reference to the fact that any share you made in the reversion of the $22 million of Dominican claims would be devoted to social purposes.

Mr. DEBEVOISE. It would be accepted in pesos, it would be devoted to social purposes and spent entirely in the Dominican Republic.

Senator DOUGLAS. What is your definition of social purposes?

Mr. DEBEVOISE. Objectives, in accordance with Alliance for Progress, is the exact wording in our agreement with the Dominican Government.

Can I tell you what the objectives are?

The objectives are housing, roads, and they would be in agreement with the Dominican Republican Government.

Senator DOUGLAS. I thought roads were the one thing that Trujillo had given to the Dominicans.

Mr. DEBEVOISE. You see—am I taking up too much time?

Senator DOUGLAS. No; I am very much interested in this.

Mr. DEBEVOISE. Under Trujillo we imported Haitian labor.

Senator DOUGLAS. Is it not true that once Trujillo brought in large quantities of Haitian labor, paid them wages, and when they got near the Haitian border murdered them and took their money from them?

Mr. DEBEVOISE. Well, I heard that a lot of them were murdered. I don't know whether that is true or not.

Senator DOUGLAS. Isn't it true that he staged that massacre and murdered them?

Mr. DEBEVOISE. I heard that. It happened on the border. We employed Haitian laborers every year.

Senator DOUGLAS. I think he only murdered once.

Mr. DEBEVOISE. Yes, sir; only once. [Laughter.]

But we brought them in year after year, Senator.

Senator DOUGLAS. Yes; I know.

Mr. DEBEVOISE. Then we sent them back.

Now, this Government very wisely decided one way to reduce unemployment was to employ Dominicans who had always refused to cut cane. For that reason the wages were double.

Now, the Dominican is willing to cut cane, but he will not live the way the Haitians did. The Haitians lived pretty low. We have to put in roughly 5,000 houses. This will be done with these funds.

Now, sir, this is not charitable on my part. If we can get a good happy bunch of workers who will stay with us, and if we can protect the very substantial investments we have in the Dominican Republic, it is well worth my while to do this. It is not a windfall, Senator, believe me.

It will be good for the country.

Of course, it is good for me, because we will have a happy labor force, and with houses and little plots of land, and they will work all year around. That is the answer to it.

Incidentally, just for your information, in my longer statement this matter of the $23 million or $22,750,000 is covered on pages 17 to 23 at great length, which gives you all the details, so I won't go into it.

Senator DOUGLAS. Thank you very much.

Dr. Ortiz of the Dominican Republic Sugar Commission.

Dr. Ortiz?

We are glad to have you, Dr. Ortiz. Let me say whatever our differences may be on the matter under consideration, we are all very glad that the Dominican people finally overthrew the Trujillo government, that we wish you extremely well. We try to be constructive in our help, we want to be constructive and continue to be constructive.

Our bounty is not unlimited. We have very serious problems here. We have an unfavorable balance of payments of something like

$4 billion a year, despite the fact we have a favorable balance of trade of $3 billion. We are bearing enormous burdens. We are bearing the major expense for the defense of the free world with hundreds of thousands of troops stationed abroad to protect the independence of other countries. We are providing more foreign aid than any nation in the world.

We are generous with our capital investments abroad. And the burdens upon us are extremely heavy. I do not think people have realized in the past the aid which we have given to the sugar-producing countries. We have paid a premium, or, as I prefer to call it, a subsidy, over the world price to the sugar producers of other countries for many years.

In the last 15 years these indirect subsidies, both domestic and foreign, have amounted to over $4 billion.

Under the House bill, the next 5 years they will come to $2¾ billion. About 40 percent of this will go to foreign sugar producers.

The United States cannot be charged with being ungenerous. Castro has been extremely unfair in what he has said. He has represented that American sugar interests exploited Cuba. As a matter of fact, the subsidies which we paid to Cuba above the world price each year amounted to close to $150 million. So I hope these facts may be borne in mind.

Now, we are very glad indeed to listen to your testimony, which we will do with a sympathetic heart as far as possible, an open mind.

Mr. ORTIZ. Thank you very much, Mr. Chairman.

STATEMENT OF S. SALVADOR ORTIZ, PRESIDENT, DOMINICAN COMMITTEE FOR THE DEFENSE OF SUGAR AND SUGAR CANE IMPROVEMENT, ACCOMPANIED BY PHILIP MAGUIRE ATTORNEY

Mr. ORTIZ. My name is S. Salvador Ortiz. I am a Dominican national—a national of a new democratic government in the Western Hemisphere. I wish to thank you for the privilege of appearing before this committee.

I am president of the Dominican Committee for the Defense of Sugar and Sugar Cane Improvement. As such, I represent the economy of my country, for sugar is the economy of the Dominican Republic.

When President Eisenhower in September 1960 imposed the tax of 2 cents per pound on the Dominican share in the reallocation of the Cuban quota, when he increased it to 2¼ cents per pound at the beginning of 1961, when this Congress under President Kennedy authorized the elimination of the purchase of nonquota sugar from the Dominican Republic, you helped my people in their critical efforts to overthrow the Trujillo regime.

The breaking of diplomatic relations with the Dominican Republic, the curtailment of exports to the Dominican Republic, the resolutions against the Trujillo regime by the OAS—all these were encouraging symbols to my people. But the most effective help you gave us in our long struggle against the Trujillo government was the imposition of the special duty on our sugar, a duty which resulted in the Trujillo regime realizing a price almost equivalent to the low world market prices.

When the present Government of the Dominican Republic came into existence in January of this year, we faced the inevitable consequences of the economic devastation brought about by Trujillo.

We were bankrupt; economic activity was at a standstill; unemployment stalked the land in proportions unknown to us in recent history.

You provided us aid, you provided us technical assistance, but most of all, you assured us of the possibility of achieving economic recovery and political stability through our own efforts.

Three million people cannot live on charity; democracy cannot be created in an atmosphere of idle hands doing nothing but receiving doled-out aid. By authorizing the importation in the first 6 months of 1962 of 480,000 tons of raw sugar at the full U.S. price——

Senator Douglas. Incidentally, Dr. Ortiz, remember this was 2¾ cents above the world price.

Mr. Ortiz. I beg your pardon?

Senator Douglas. I say, when you say at the full U.S. price, remember that this was 2¾ cents above the world price.

Mr. Ortiz. Yes, of course, Senator.

You made it possible for us to take the steps necessary to create the beginnings of a sound democratic way of life.

We have today no other means of surviving economically than to produce and sell sugar. And in today's world market controlled by the Soviet bloc utilizing Cuban sugar, we have in effect nowhere else to sell our sugar than in the United States. Your aid, your technical assistance have been meaningful but without the authorization to sell this amount of sugar to the United States, all would have been in vain.

Let me now frankly ask the question that all my people are asking my Government—why, now that we have the possibility of maintaining and perfecting a democratic form of government, does your Government propose through the global quota formula to treat us, a friendly neighbor, in the same way you penalized the Trujillo dictatorship.

It is not enough for us to know that the money realized from the imposition of the U.S. tax on our sugar may come back to us in the form of aid. Aid cannot maintain a democratic government where the economy is idle, the people unemployed, and fear replaces the hope we now have.

If we are denied both a large quota and a significant reallocation of the Cuban quota at existing U.S. prices, we are denied the opportunity to make our democracy work. The cost of our sugar production today because of wage increases, taxes, and the financial burden of social reforms denies us the possibility of selling our sugar in the world market.

We have available for export 900,000 tons of sugar, whose growth and production is the principal activity of our small country.

Senator Douglas. Dr. Ortiz, in the chart, which Mr. Debevoise submitted the sugar exports available for sale in the world market by the Dominican Republic are shown to be 600,000 tons.

You give a figure of 900,000.

Mr. Ortiz. 900,000 for total exports. We have a production of about a million, over a million tons this year of which we have a local demand for a hundred thousand. The balance is totally export.

Senator DOUGLAS. Mr. Debevoise, do you accept Dr. Ortiz' figures of 900,000, in your statement?

Mr. DEBEVOISE. Senator, I believe that means above the quotas in the House bill of 350,000 tons, there are 600,000 tons more available for export.

Senator DOUGLAS. I see.

This is the homeless sugar over and above the quota.

Mr. ORTIZ. If the major part of this sugar cannot be sold in the United States, aid cannot cure the economic chaos and political confusion that will follow.

We are a new democracy. In our search for a democratic self-government we will make mistakes. But our democracy will not perish because of inactivity, because of a fear of moving forward. The principles of Alliance for Progress are not words to us; they are not used as symbols for promises made meaningless by indecision and a failure to act.

The Dominican Government of 185 days has accomplished the following:

We have imposed an income tax based on your experience that the burden should be borne progressively by the more fortunate;

We have instituted an agrarian reform law providing landless peasants with land and Government assistance to assure that the land will be productive.

We have established a National Housing Institute with Government capital to provide construction of low-income homes;

We have created a system of savings and loan associations;

We have created a National Tobacco Institute to assure protection to the growers of tobacco;

We have enacted laws for the protection of consumers, the punishment of those who would speculate in the pricing of foodstuffs and other essentials of life;

We have created a planning board to assure the coordination and proper development of all new economic activities;

We have established an Industrial Development Corporation to provide the necessary capital for the creation of new industries too large to be financed solely through private channels;

We have formulated new wage measures providing for substantial increases in basic salaries for all classes of people from the cane cutter, to the factory worker, to the white-collar worker;

We have instituted procedures to protect the workers' right to collective bargaining;

We have welcomed the development of new private enterprises, financed through both private Dominican and friendly, foreign investors;

We have gained the confidence of our people to invest in our country, not in numbered accounts in Switzerland.

All this we have done in 185 days. It has been possible to do all this because of one simple, basic economic fact—we have been able to inaugurate the development of a healthy economy through the dollars earned this year by the sale of 480,000 tons of sugar in the U.S. market.

Three million people of the new democracy in the Western Hemisphere urge that you authorize a sufficient basic quota and a sufficient reallocation of the Cuban quota, all at the existing U.S. preferential

market price, to assure the continued development of a stable and friendly democratic government.

I must tell you of our needs in concrete terms. We need a basic quota of around 500,000 tons; we need a reallocation of the Cuban quota of approximately 300,000 tons. If this amount of sugar is authorized to be exported to the United States at this time, our democratic Government will continue to flourish.

More than this, at such time as Cuba rejoins the nations of the free world, not only will we be able to give up its reallocation but we will welcome the opportunity to do so.

We know that reallocation cannot become a part of our permanent quota, nor do we want it that way.

It is much more important to us than it is to you that Cuba returns to the Western Hemisphere system; that return will assure us of the termination of the operations in our country of agents of subversion, promising unrealizable goals in an effort to draw the Dominican Republic away from the democratic system and out of inter-American political and economic unity.

So be assured. If you give is a satisfactory quota, if you give us a reasonable participation in the Cuban reallocation, we will survive. More than that, when they return to the Western Hemisphere alliance, the Dominican Republic will be in a position not only to provide the proof that a democratic government can be established and succeed in the Caribbean, but our people will actively participate in helping a new Cuba achieve that goal.

Thank you.

Senator DOUGLAS. Thank you, Doctor.

Now your last sentence interested me.

You said "our people will actively participate in helping a new Cuba achieve that goal."

If and when Cuba returns to the family of democratic nations would you be willing to give up any quota that you have or reduce your quota to help the situation in Cuba?

Mr. ORTIZ. That portion that is the reallocation from the Cuban quota we would be willing to return.

Senator DOUGLAS. May I ask this question.

Where are the members of the Trujillo family now? Are they in this country?

Mr. ORTIZ. I understand some of them are in Spain and some of the others are in France.

Senator DOUGLAS. In France?

Mr. ORTIZ. Yes.

Senator DOUGLAS. Are there any in the United States?

Mr. ORTIZ. I really don't know. But I don't think so.

Senator DOUGLAS. You don't know.

Are you able to estimate the amount of money which the Trujillo family has on deposit in foreign banks?

Mr. ORTIZ. This is a very difficult question, the estimates of about $500 million have been made.

Senator DOUGLAS. $500 million?

Mr. ORTIZ. Yes, sir. I know that during the last year, that is in 1961, they took away in foreign exchange alone about $60 million.

Senator DOUGLAS. $60 million. You can trace that through the accounts?

Mr. ORTIZ. We can calculate that knowing the exports of the companies in which they had their moneys invested.

Senator DOUGLAS. This is deposited in the main in the Swiss banks?

Mr. ORTIZ. That is our information.

Senator DOUGLAS. Pardon?

Mr. ORTIZ. That is the information we have but we cannot confirm it.

Senator DOUGLAS. You can trace this somewhat through the fact that the Dominican accounts, isn't that true, they are Dominican accounts?

Mr. ORTIZ. In 1960, yes.

Senator DOUGLAS. Well, don't your accounts go back for a prior period or were those destroyed?

Mr. ORTIZ. I don't understand the point.

Senator DOUGLAS. Well, in order to send money out of the country there would have to be some record in Santo Domingo itself; would there not?

Mr. ORTIZ. That is very difficult, because, for instance——

Senator DOUGLAS. How did you trace it for 1960?

Mr. ORTIZ. Just making a calculation of the exports of the companies that were owned and operated by the Trujillo family. If we can add all these exports and we find that the foreign exchange did not enter into the Dominican Republic we have to assume this money was deposited in foreign banks.

Senator DOUGLAS. Did they control virtually the entire export trade?

Mr. ORTIZ. On sugar, for instance, they had 60 percent. On chocolate they had about 60 percent. On cement business they had practically total control.

Senator DOUGLAS. What about the banks?

Mr. ORTIZ. The banks?

Senator DOUGLAS. Yes.

Mr. ORTIZ. The banks were Government.

Senator DOUGLAS. That was Government?

Mr. ORTIZ. Are Government banks; yes. The Trujillo family did not operate any commercial banks.

Senator DOUGLAS. Is it your belief that these are in numbered accounts in the Swiss banks?

Mr. ORTIZ. Yes. That is the general opinion in our country, because the Government has been unable to trace these funds and it would be most difficult to take some action to get return of some of this money for the people.

Senator DOUGLAS. Have you instituted any action to try to recover these sums?

Mr. ORTIZ. There has been some action but not very successful up to now.

Senator DOUGLAS. Why have you had lack of success?

Why has it not been successful?

Mr. ORTIZ. Well, for this reason. If they have this money deposited in Swiss banks, in numbered accounts, you know how difficult it is even to get information about it.

Senator DOUGLAS. The Swiss refuse to state who owns the accounts. The Swiss refuse to state who owns the deposits?

Mr. ORTIZ. Yes. But I don't think the Government has requested that in a formal manner.

Senator DOUGLAS. The Swiss resent being told that they are the depository of the "hot" money of the world, but this is one more bit of evidence to indicate that this is the fact.

Do you think you have got any chance of recovering this money? You see that would be a great help, too. That is the equivalent of 5 million tons of sugar.

Mr. ORTIZ. Yes; it would be a very——

Senator DOUGLAS. Or at world prices 10 million tons of sugar.

Mr. ORTIZ. But the actual chances of recovering that are very poor.

Senator DOUGLAS. Pardon?

Mr. ORTIZ. The chances of recovering that are very poor.

We got some time ago some certificates of deposits in foreign banks amounting to about $20 million, but when we went to present these certificates of deposit, the money had already been withdrawn.

Senator DOUGLAS. I didn't get that. I didn't understand.

Mr. ORTIZ. I said some time ago on the boat that took the family of Trujillo to Paris, there was found a package of documents including certificates of deposits in foreign banks that were taken by the Government and presented to the banks. But the money at the time that these documents were presented—the money had already been taken out.

Senator DOUGLAS. You have possession of those documents?

Mr. ORTIZ. Yes; they are in the Dominican Republic.

Senator DOUGLAS. Would you be willing to state for the record what those documents disclosed?

Mr. ORTIZ. I don't have the details.

Senator DOUGLAS. Pardon?

Mr. ORTIZ. I say, I do not have the details with me. But we can supply the information to you. It was published in the papers, even reproductions of the documents and everything, but this was for a minor amount, as I say $20 million.

Senator DOUGLAS. 9 million?

Mr. ORTIZ. $20 million.

Senator DOUGLAS. This was the sum that the members of the families took out with them?

Mr. ORTIZ. Apparently at the last minute.

Senator DOUGLAS. At the last.

The last trip they made?

Mr. ORTIZ. Yes.

Senator DOUGLAS. Do you know how they took this out? In cash?

Mr. ORTIZ. Probably in cash and checks or other documents.

Senator DOUGLAS. Senator Curtis, do you have any questions?

Senator CURTIS. One question.

You state:

> It is not enough for us to know that the money realized from the imposition of U.S. tax on sugar may come back to us in the form of aid.

Who has informed you that that will happen?

Mr. ORTIZ. We have been informed that some of this money that is going to be collected from the price differential will be used for foreign aid through the Alliance for Progress.

Senator CURTIS. Who told you that?

Mr. ORTIZ. That is the information we have in the Dominican Republic.

Senator CURTIS. Who told the Dominican Republic that?

Mr. ORTIZ. I do not know. That was brought to our government.

Senator CURTIS. Is it your understanding that someone connected with the U.S. Government has informed your government of that?

Mr. ORTIZ. Probably somebody connected with the Alliance for Progress.

Senator CURTIS. And that information has been given generally the countries in the Western Hemisphere, has it not, is that your understanding?

Mr. ORTIZ. That is the information?

Senator CURTIS. Yes.

Similar information has been given to countries throughout the Western Hemisphere, is that correct?

Mr. ORTIZ. Well, that I don't know. I know of our own case but I don't know about other people.

Senator CURTIS. Well, I have had private information come to me that this suggestion has been spread in other places.

Mr. ORTIZ. But I understand also that there is a provision in the House bill which provides for that.

Senator CURTIS. I beg your pardon?

Mr. ORTIZ. A provision in the House bill provides for that. That is one of the reasons also why we have this impression.

Senator CURTIS. Is that the way you prefer it rather than receive the American price for sugar, you would rather pay this duty and then have some aid sent to you?

Mr. ORTIZ. No, of course not. We do not prefer that. We prefer to receive the full price, and to have a reasonable quota. It will operate much better for us. That will be trade, actually.

Senator CURTIS. That is all, Mr. Chairman.

Senator DOUGLAS. Dr. Ortiz, do you have a representative in this country of the Dominican Republic Sugar Commission?

Mr. ORTIZ. At the present time we have Philip Maguire who has been working for us only about 2 weeks. His contract is before the Council of State and has not been approved yet and it is a contract that provides for services as general legal counsel in the United States not only in connection with sugar matters but other matters.

Senator DOUGLAS. When was the contract signed with him?

Mr. ORTIZ. It has not been signed yet.

Senator DOUGLAS. When did Maguire sign the contract?

Mr. ORTIZ. I beg your pardon?

Senator DOUGLAS. When did Maguire sign the contract?

Mr. ORTIZ. As I say, it has not been signed. The contract has been entered between the sugar commission——

Senator DOUGLAS. Is Mr. Maguire here?

Mr. MAGUIRE. Yes, I am.

Senator DOUGLAS. Will you come forward?

Mr. ORTIZ. And has been presented to the Council of State for approval and will be, I am sure that it will be approved but it has not been completely signed. I can give you the details of this contract if you would like.

Mr. MAGUIRE. I think, Senator, that perhaps I can explain.

Senator DOUGLAS. Yes.

Mr. MAGUIRE. I was invited to go to Santo Domingo in late May to discuss with Government officials representation of their Government here in the United States.

I did go and following the discussions we reached an understanding. They asked me to, and I did, write a letter in which I outlined my understanding of the agreement that we had reached.

In the last paragraph of the letter I asked if they would confirm my understanding of the agreement which we had reached which they have not yet had an opportunity to do.

I have, however, registered as a representative of a foreign principal and have attached a copy of that letter to my registration application.

Senator DOUGLAS. Now, what is your fee, if the contract goes through?

Mr. MAGUIRE. $18,000 for the period from June 1 to February 28, 1963. That is 9 months.

Senator DOUGLAS. This would be at a rate of about $22,500 for the year?

Mr. MAGUIRE. It would be at the rate of $24,000.

Senator DOUGLAS. $24,000 a year?

Mr. MAGUIRE. Yes, sir.

Senator DOUGLAS. $2,000 a month.

Mr. MAGUIRE. I would like to point out that the Council explained to me the reason they wished to enter into the contract or enter into the understanding only for the period through February 28, was because that is the date on which the government that is scheduled to be elected in December will take office.

Senator DOUGLAS. I understand.

Mr. MAGUIRE. They explained they did not wish to make commitments binding the new government that will come in. They simply wanted to have representation here during the period for which they have responsibility.

Senator DOUGLAS. I understand.

Is there an allowance for expenses also?

Mr. MAGUIRE. Only for out-of-pocket expenses.

Senator DOUGLAS. What do you mean by "out-of-pocket expenses"?

Mr. MAGUIRE. Such as my trip to the Dominican Republic.

Senator DOUGLAS. Would it include entertainment expenses here in Washington?

Mr. MAGUIRE. No, sir. It would include, as I have outlined in my letter, cables, telephone calls, translations, taxicab fare, or transportation and the like.

Senator DOUGLAS. There was a witness yesterday who said he had already spent his salary or fee and expenses, which was quite a liberal salary, and I forgot to question him as to how he could have spent all this money immediately, which was a slip on my part, but which I now raise for the purpose of the record in case any evidence is submitted on this point.

I don't want to put a man in double jeopardy, so I shall not recall him.

Why do you think the Dominican Sugar Commission needed an American representative, Mr. Maguire?

Mr. MAGUIRE. For two reasons, I think, Senator: One, I think it is the position of the Dominican Republic that if sugar quotas are to be established by the Congress of the United States, it is necessary, and they feel the need to have someone who can bring to the Congress of the United States the facts and considerations, which they feel are very particular in their case, for the maximum quota allotments that it is possible for the United States to make.

On the other hand, if the quotas are fixed by the executive branch rather than the Congress of the United States, they wish to present to the executive branch, which means for the most part, the Department of Agriculture, and the Department of State, the considerations that exist during this changing period for them.

Senator DOUGLAS. Couldn't the diplomatic representatives and the commercial attachés do that?

Mr. MAGUIRE. In some instances they will, of course. They are today, and there is a delegation here of 16 people from the Dominican Republic, composed of members of the government, of industry, of labor, of farmers, of the press, and of the banks who have had a meeting with the Under Secretary of State and members of his staff, and who hope to have a meeting with the Under Secretary of Agriculture today, and will also have, hopefully, meetings with members of the White House staff.

The diplomatic representatives most certainly will work. However, I think in most instances foreign governments and foreign nationals feel the need to have the guidance and counsel of people here in terms of how to approach the U.S. Government, and its various agencies.

Senator DOUGLAS. Do they feel the need of a representative in order to approach the U.S. Congress?

Mr. MAGUIRE. I think so, sir. For the most part, the U.S. Congress does not encourage direct approaches by foreign nationals. They do permit——

Senator DOUGLAS. They would be very happy to welcome you, Dr. Ortiz.

Mr. ORTIZ. Thank you.

Mr. MAGUIRE. The Congress does permit the employment of American citizens as representatives of the various interests that wish to bring their considerations before the Congress.

Senator DOUGLAS. Mr. Maguire, do you have a special background in the field of sugar?

Mr. MAGUIRE. No, I do not.

During the time I was in Government I was exposed to some background and experience in the sugar field but it was entirely during a 6-year period when I was in the Department of Agriculture from 1935 to 1941.

I was at that time Deputy Administrator of the Surplus Marketing Administration and we had a measure of responsibility for sugar.

I was also in the War Production Board, and had a measure of responsibility for the administration of the sugar allocation order.

But other than that, I have had no experience in sugar and have never represented anyone in the sugar business nor had anything to do with it in the intervening years.

Senator DOUGLAS. You have been in private practice of law since then?

Mr. MAGUIRE. No, I have not. I spent 16 years in government. I have been in the private practice since 1950.

Senator DOUGLAS. Yes.

Since 1950 you have been in the private practice of law?

Mr. MAGUIRE. Yes, sir.

Senator DOUGLAS. Have you represented any other foreign countries?

Mr. MAGUIRE. No; I have not.

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Senator DOUGLAS. Of course, you are aware of the fact that the quota assigned to the Dominican Republic under the 1961 act was 96,000 tons?

Mr. MAGUIRE. That is right, sir.

Senator DOUGLAS. And that the temporary quota is 222,000 tons?

Mr. MAGUIRE. That is right, sir.

Senator DOUGLAS. Have you impressed upon your clients the fact that this 222,000 was a temporary quota, did not constitute a permament right?

Mr. MAGUIRE. They are acutely aware of that, Senator. They never made very large shipments to the United States until the Cuban quota was taken away.

Senator DOUGLAS. That is right.

Mr. MAGUIRE. They do understand that the allocations they get from the Cuban reserve quota are on a temporary basis.

Senator DOUGLAS. Dr. Ortiz, you heard Mr. Debevoise testify.

Is it your contention that your chief difficulties have been caused by the fact that Great Britain is no longer purchasing sugar from you for sale in sourtheast Asia?

Mr. ORTIZ. Yes; it is one of the major factors.

Senator DOUGLAS. And she is not purchasing sugar because Russia and Poland are directly selling Cuban sugar in southeast Asia?

Mr. ORTIZ. Exactly.

Senator DOUGLAS. And this has, therefore, indirectly deprived you of a market?

Mr. ORTIZ. Yes, of our biggest market.

Senator DOUGLAS. And, therefore, you turn to the United States for replacement?

Mr. ORTIZ. Exactly. In the past, over 70 percent of our exportable sugars went to England. It was an appreciable market and this year we have not been able to sell a single ton because of this fact.

Senator DOUGLAS. I think you and Mr. Debevoise have made a very stong case and I think it would appeal to the American people.

The trouble is that if we make an exception to you we open the floodgates for other countries, and that is our difficulty.

Mr. ORTIZ. But, Mr. Chairman, the situation of the Dominican Republic as you have seen is a very peculiar one, not only on account of the economic problem confronting us now but the political establishment of the colntry.

Senator DOUGLAS. You mean you also have the problem of Castroism, you mean?

Mr. ORTIZ. We have a very, very serious problem.

Senator DOUGLAS. Of course, Haiti has this problem.

Mr. ORTIZ. Who?

Senator DOUGLAS. Haiti, your sister republic.

Mr. ORTIZ. Yes; but Haiti——

Senator DOUGLAS. Which is even closer to Cuba than you are, and every country in the Caribbean, every country in Latin America, has this problem.

Does this mean that we must pay this premium or subsidy to every country?

Mr. ORTIZ. I think it would be extremely convenient——

Senator DOUGLAS. Pardon?

Mr. ORTIZ. I think that would be extremely convenient.

Senator DOUGLAS. I am sure it would be convenient. I have no doubt of it whatsoever. It would also be extremely expensive.

Mr. ORTIZ. Well, sometimes it is a good thing to have this type of expenses.

Senator DOUGLAS. I again want to say the ability of the United States to bear these burdens is not unlimited. It is not unlimited. We are strong, but I doubt if we can support the whole world.

Mr. MAGUIRE. Yes, sir.

Senator DOUGLAS. In your letter to Dr. Ortiz, did you say—

I am hopeful that it will be possible to realize substantial benefits for the Dominican Republic in the process.

Mr. MAGUIRE. Yes, sir.

Senator DOUGLAS. And in your registration statement did you indicate that your duties were to assist Dominican Republic producers and processors in marketing sugar in the United States and in watching legislation?

Mr. MAGUIRE. Yes, sir. I must point out, Senator, at that time the House hearings had already been held. They were finished insofar as presentations by country representatives were concerned.

It was a fact that two bills were before the Congress, one the administration bill, and the other the bill which I believe is before this committee now, which provided substantial quota benefits to a large number of countries.

Senator DOUGLAS. Now, there is pending in the Court of Claims, is there not, a claim of $22 million by the Dominican Government and the South Puerto Rico Sugar Co. against the United States for the bounty on sugar which was withheld from the Trujillo Government, is that true?

Mr. MAGUIRE. That is correct.

Senator DOUGLAS. That is pending in the court.

Mr. Maguire, now, on an amendment in the House this was introduced into the bill, isn't that right, provision for payment?

Mr. MAGUIRE. That is true.

Senator DOUGLAS. Were you active in getting that included in the bill?

Mr. MAGUIRE. I was not, sir.

Senator DOUGLAS. Do you know where that came from?

Mr. MAGUIRE. I do not.

Senator DOUGLAS. What? You do not know?

Mr. MAGUIRE. I do not know.

Senator DOUGLAS. The child was born underneath the rose bushes without a visible father.

Mr. MAGUIRE. I can, Senator, tell you what my understanding is.

Senator DOUGLAS. Yes; I would appreciate it.

Mr. MAGUIRE. But I really don't know if this is accurate, certainly in all details.

Senator DOUGLAS. I understand.

Mr. MAGUIRE. This has been a very controversial subject; the withholding of the premiums in late 1960 and early 1961.

Senator DOUGLAS. Which, Dr. Ortiz very properly said, played a very important part in the ousting of Trujillo and for which he praised us.

Mr. MAGUIRE. That is right, sir.

Senator DOUGLAS. Yes.

Mr. MAGUIRE. Mr. Eisenhower, if my understanding is correct, announced at the time of the withholding of those premiums that it was in the nature of a sanction against the Trujillo regime.

Senator DOUGLAS. That is right.

Mr. MAGUIRE. That it was designed to keep the money from going into the pockets of Trujillos rather than for the benefit of the people of the country.

Since it was such a controversial subject in the Dominican Republic a great many efforts were made and a great many discussions took place, including the one referred to yesterday with Mr. Moscoso.

I can only assume that Mr. Moscoso made the statements that he did at that time without knowing that simultaneously the administration was drawing up a bill which was subsequently submitted as H.R. 11730, that provided for global quotas and no premiums in the future.

I think the administration changed its position because they felt it would be inconsistent to endorse the payment of the premiums that were previously withheld and simultaneously recommend the abolition of premiums.

I do know that discussions were held with Members of Congress, with many of the members of the State Department and the Department of Agriculture, who had any part in the withholding. The discussions were designed to get for the Dominican Republic the return of that money. Who actually wrote the amendment in the House bill, I do not know. I do know that before it was written conversations were held with Congressman Cooley, and he said or I believe he said, that from a moral standpoint he thought the Dominican Republic should have the money returned. The Whole Committee of the House apparently debated and considered it, and inserted it in the bill.

Senator DOUGLAS. You say conversations were held with Congressman Cooley.

Who held the conversations? These cannot be one-sided conversations. That implies at least two parties.

Mr. MAGUIRE. I did not, Senator.

Senator CURTIS. May I ask a question?

Senator DOUGLAS. Yes, indeed.

Senator CURTIS. If this money were to be paid which is provided in the House bill, who would get it?

Mr. MAGUIRE. The Dominican Republic would have the legal right to 60 percent of the money.

Senator CURTIS. You mean the Government?

Mr. MAGUIRE. The Dominican Government.

The South Puerto Rico Sugar Co. would have a legal right to approximately 30 percent of the money.

A private Dominican company would have the right to approximately 10 percent of the money.

Senator CURTIS. Who would have a right to the 30 percent?

Mr. ORTIZ. The South Puerto Rican Sugar Co.

Mr. MAGUIRE. The South Puerto Rican Sugar Co.

Senator CURTIS. Now, who represents the South Puerto Rican Sugar Co.?

Senator DOUGLAS. Well, Mr. Debevoise, who has testified.

Senator CURTIS. Oh, yes, but I would like to ask this. Who represents the South Puerto Rican Co.?

Mr. MAGUIRE. In the United States?

Senator CURTIS. Yes.

Mr. MAGUIRE. Walter Surrey.

Mr. ORTIZ. There is a gentleman, in connection with this——

Senator CURTIS. Who represented the Dominican Republic insofar as they would share in 60 percent of it?

Mr. MAGUIRE. In terms of this amendment?

Senator CURTIS. Yes.

Mr. MAGUIRE. I think at that time they had no representative. The people in the Embassy made representations of course, but I believe they made no representations to a Member of Congress. Is that your understanding?

Mr. ORTIZ. Yes.

You see 60 percent of the sugar industry belongs to the Government. 60 percent of this money would belong to the Government.

Senator DOUGLAS. Because you have nationalized the Trujillo mills?

Mr. MAGUIRE. That is right.

Mr. ORTIZ. The government companies have a claim of around $13.9 million, which was presented as a part of the $22.8 million. And if it is refunded to the Dominican Republic, of course, this $13.9 million will accrue to the benefit of the whole Dominican people.

Of the almost $7 million, of the South Puerto Rican Co., because of the tax situation, over 50 or 56 percent of it will have to be paid in income taxes.

Immediately, half of this money that they will receive will come in the form of fiscal revenues to the Government, and for their remaining half they have made the commitment with the Government that this balance will be used for social welfare and——

Senator DOUGLAS. That is true of the South Peurto Rican Sugar Co. Is it true of the 10 percent?

Mr. ORTIZ. Oh, yes, of course. They have exactly the same commitment and being a Dominican corporation, of course, it is complete——

Senator DOUGLAS. Dr. Ortiz, do you know who represented the San Domingo Sugar Association in connection with this amendment before the House?

Mr. ORTIZ. No; we do not have any representation.

Senator DOUGLAS. You did not have any representation?

Mr. ORTIZ. We had a long time ago, last year——

Senator DOUGLAS. In other words, this just happened?

Mr. ORTIZ. Yes.

Senator CURTIS. Well, who did you have a year ago?

Mr. ORTIZ. A year ago?

Senator CURTIS. Yes.

Mr. ORTIZ. Until some time—it was July or August 1961, and I do not remember exactly—the sugar commission had a contract with a firm here in Washington, Michael Dean.

Senator DOUGLAS. Who?

Mr. ORTIZ. Michael Dean.

Senator DOUGLAS. Is he now suing you?

Mr. ORTIZ. Pardon?

Senator DOUGLAS. Is he now suing you?

Mr. ORTIZ. Well now, I have rumors. I would like to make a statement in this connection——

Senator DOUGLAS. I beg your pardon?

Mr. ORTIZ. I would like to make a statement in this connection.

Senator DOUGLAS. Yes, but first let me ask you: Is he now suing you?

Mr. ORTIZ. No; I understand that he will do it.

Senator DOUGLAS. Go ahead.

Mr. ORTIZ. But we have not seen any legal claim or anything like that. This is a statement that I would like to make in this connection.

I understand that there is being circulated among the members of this committee a memorandum setting forth an alleged claim against my Government in connection with section 18 of the House bill.

Without developing or delving into the merits of section 18 this memorandum, which I saw for the first time yesterday, develops or deals with a contingent-fee contract for the representation of the Trujillo regime before the Congress, a contract which was entered into under Trujillo and terminated shortly after the fall of the Trujillo regime.

Whether this is a valid claim or not, I suggest that the proper procedure is for the claimant to file a formal presentation with my Government, to be considered by our attorney general.

I also suggest that this procedure is preferable to having the issue considered for the first time in the legislature of another government.

I assume I need not point out that my Government will fully and fairly consider any claim properly presented to it. It cannot, any more than the Government of the United States determine the validity of any claim on hearsay statements presented to legislators of another government.

Senator DOUGLAS. Well now, just a minute; when did you say the contract between Mr. Dean and the Government was signed?

Mr. ORTIZ. When it was signed?

Senator DOUGLAS. When was it signed; yes.

Mr. ORTIZ. It was signed sometime in 1960.

Senator DOUGLAS. Sometime in 1960?

Mr. ORTIZ. Yes, and——

Senator DOUGLAS. When Trujillo was in power?

Mr. ORTIZ. Pardon?

Senator DOUGLAS. When Trujillo was in power?

Mr. ORTIZ. Yes.

Senator DOUGLAS. Was it continued by the new administration?

Mr. ORTIZ. By the present administration? No; it was canceled after the——

Senator DOUGLAS. When was it canceled?

Mr. ORTIZ. As I say, I do not remember the exact date or the exact month, but it should be around August or July of last year.

Senator DOUGLAS. 1961?

Mr. ORTIZ. 1961.

Senator DOUGLAS. How much did the contract call for?

Mr. ORTIZ. I saw the contract when I came here and I heard this rumor because some presentation had been made to our Ambassador or to a member of the Embassy, and I saw a copy of the contract.

Senator DOUGLAS. Yes?

Mr. ORTIZ. It provides, what I saw, for the payment of $40,000 as a flat amount plus 25 cents per ton of sugar that was obtained.

Senator DOUGLAS. How much?

Mr. ORTIZ. 25 cents.

Senator DOUGLAS. 25 cents for each ton?

Mr. ORTIZ. For each ton of sugar.

Senator DOUGLAS. Under a permanent quota or under a temporary quota?

Mr. ORTIZ. Under the temporary quota, I understand.

Senator DOUGLAS. Now, the figures show that 220,723 tons were obtained in 1961 under a temporary quota.

Would that mean that it will be an additional payment of $55,500?

Mr. ORTIZ. Something like that.

Senator DOUGLAS. Something like that?

Mr. ORTIZ. But the memorandum that was given to me represented a figure of $136,000.

Senator DOUGLAS. $136,000?

Mr. ORTIZ. As I say, it was given to me only—I have not yet had the opportunity of checking these figures.

Senator DOUGLAS. Mr. Maguire, you are getting $2,000 a month?

Mr. MAGUIRE. Yes, sir; and no contingencies.

Senator DOUGLAS. Senator Curtis?

Senator CURTIS. Nothing more.

Mr. MAGUIRE. Senator there was one reference a moment ago that I think perhaps I can help clear up.

As far as this $22.8 million is concerned, if it is returned to the Dominican Republic, all of the dollars, as such, will go to the Government of the Dominican Republic.

An agreement has been entered into with the South Puerto Rican Sugar Co., the only company that might be entitled to some of this money in the form of dollars, under the terms of which the dollars will remain with the Government.

South Puerto Rican Sugar Co. will take in lieu of dollars the peso equivalent which they will use in the Dominican Republic for social welfare or social betterment projects.

Senator CURTIS. What industries have been nationalized since the new government came in?

Mr. ORTIZ. Well, all the industries——

Senator CURTIS. All the what?

Mr. ORTIZ. All the industries that have——

Senator CURTIS. All the industries?

Mr. ORTIZ. All the industries and companies that were owned by the members of the Trujillo family. That amounts to about 45 big organizations.

Senator CURTIS. Now, do you have any plans for any further nationalization?

Mr. ORTIZ. Not at all. The assets of these 45 companies have been used to capitalize the Industrial Development Corp.——

Senator CURTIS. And have you expropriated any property of foreign people?

Mr. ORTIZ. As far as I know, absolutely not.

Senator CURTIS. Do you have plans for any or are there plans for any expropriation?

Mr. ORTIZ. Are there plans?

Senator CURTIS. Yes.

Mr. ORTIZ. Not at all.

Senator CURTIS. That is all, Mr. Chairman.

Mr. MAGUIRE. On the contrary, Senator, I think it should be pointed out that the Government is currently encouraging foreign investments in the Dominican Republic.

Senator CURTIS. As I understand it or as I understand the Alliance for Progress one of its big objectives is to prevent the spread of communism into the Western Hemisphere, and communism cannot spread without nationalization and expropriation of property.

That is the vehicle that it must have.

I hope that that is realized throughout the hemisphere.

Mr. ORTIZ. Well, even under our agrarian reform law we will have sufficient land to distribute for the next 3 or 4 years.

Senator CURTIS. That is all, Mr. Chairman.

Senator DOUGLAS. One or two points that I would like to clear up are these:

Has the American Government, or any of its agencies, placed a loan of $25 million to the Dominican Republic?

Mr. ORTIZ. Yes, sir. There was a loan of $25 million by AID recently.

Up to now we have signed agreements for the use of this money to the amount of about $14 million.

Senator DOUGLAS. So that the United States cannot be charged with being stonyhearted in its attitude toward the new Government which you have.

I think there is another statement that I should make which is not directly involved in the testimony.

These congressional hearings can at times be cruel in the implications which are drawn from them. It has been developed that the attorney for the South Puerto Rico Sugar Co. is Mr. Surrey——

Mr. MAGUIRE. Walter Surrey.

Senator DOUGLAS. Walter Surrey, I mean. Excuse me.

That is Mr. Walter Surrey, who is the brother of Stanley Surrey who is the Assistant Secretary of the Treasury, and that fact has been commented on in the press and may be commented on again.

I think the record should show that the Treasury Department is supporting the administration's bill, and that in that connection Mr. Walter Surrey's brother has had no influence on the attitude of the Treasury in this matter.

My information is that Mr. Stanley Surrey has not made any effort to change the position of the Treasury.

I think this should be said as a protection to the reputation of Mr. Stanley Surrey against imputations which might be made, and I do this as an advance precaution.

I think the same thing should be done in connection with Mr. George Ball, whose law firm is representing one of these countries, and I forget exactly which one it is at the moment.

Mr. Ball is strongly supporting the position of the administration in the discontinuance of these individual quotas and the payment of premium prices.

So I hope very much that these facts may prevent what seems to me or what would seem to me unjustified implications.

Senator McCarthy.

Senator MCCARTHY. I have no questions.

Senator DOUGLAS. Thank you very much.

Mr. ORTIZ. Thank you very much, Mr. Chairman.

(Mr. Ortiz submitted the following statement for the record:)

STATEMENT OF THE COMISION DE DEFENSA DEL AZUCAR Y FOMENTO DE LA CANA OF THE DOMINICAN REPUBLIC

The Comision de Defensa del Azucar y Fomento de la Cana (usually referred to in English as the Sugar Commission) is an instrumentality of the Government of the Dominican Republic that is concerned with the production, processing, development, and marketing of sugar and sugar products. Sugar is far and away the largest single industry in the Dominican Republic and, as of today, the very life of the country depends on the stability of the industry and its ability to market the sugar crop at fair reasonable prices.

Because of changed and changing conditions in the world, the Dominican Republic has lost most of its former sugar markets to Cuba and other Communist countries and must look to the United States as its principal market in the future.

Total estimated sugar production of the Dominican Republic for 1962 is 1,150,000 tons. Of this amount approximately 480,000 tons has been sold so far this year in the U.S. market both as permanent quota sugar and as import allocations from the Cuban reserve quota. Approximately 100,000 tons will be consumed internally leaving an export surplus of 570,000 tons for the rest of this year.

For 1963 through 1966, the situation would be even more drastic under the proposed legislation. A permanent annual quota of approximately 200,000 tons would be established for the Dominican Republic plus 10 percent or 150,000 tons of the Cuban reserve if diplomatic relations with Cuba are not restored.

Because of wage increases established by the new Government of the Dominican Republic in order to raise standards of living, production costs of sugar are currently 4 cents a pound. It would be disastrous to the economy of the country to attempt to market, at current world sugar prices of 2.66 cents, the exportable surplus that would result if this legislation is adopted. Production would have to be curtailed, wages lowered, imports restricted drastically, and political unrest would undoubtedly follow.

The people of the Dominican Republic cannot understand why, at this critical moment for them, the United States would consider reducing Dominican sugar imports and fixing preferential quotas for such far away places as the Fiji Islands, Mauritius, South Africa, India, Australia, and many other remote countries that have never previously been suppliers to the U.S. market in the real sense. Neither is it possible for them to understand the proposed quotas for Western Hemisphere dependencies of European countries. Heretofore, those dependencies enjoyed preferential and protected markets at home. Today sugar purchases from Cuba and the Soviet bloc appear to have been substituted for those previously made from such dependencies.

The Dominican Republic, with the aid and support of the United States, is making progress in its economic development; has moved far toward a democratic form of government; has achieved a considerable measure of political stability; and is dealing forthrightly with its social problems that are largely the outgrowth of 31 years of despotic dictatorship.

The United States has a very special interest in taking whatever steps are possible to assure the successful establishment of a lasting democracy in the Dominican Republic. The enemies of democracy have in the past and presently are intensifying their efforts to foment unrest and bring the Dominican Republic into the Communist sphere. Other Western Hemisphere countries are anxiously watching the developing situation and the outcome will inevitably accrue to the advantage or disadvantage of the Dominican Republic, the United States and, even to some extent, to the democratic form of government, as an institution, in the Western Hemisphere.

At this moment in the troubled history of the Dominican Republic the economic stability of the country could well be the deciding factor in its political future. Sugar, to a greater extent that in any other supplying country, is the backbone of the Dominican Republic's economic life. More than half of its population is dependent on sugar for its livelihood, and more than half of its earnings from exports come from sugar and sugar products. The establishment of increased sugar quotas for the Dominican Republic, however, would in no sense be a one-way street for the United States. Except for the politically troubled period immediately past, the Dominican Republic has been a very substantial importer of goods and equipment from the United States which has always been its chief supplier. Given a further opportunity to achieve economic stability and with an assured market for a substantial part of its export sugar, the Dominican Republic will be an even more important customer for goods from the United States.

The Dominican Republic is a natural and logical supplier of sugar to the United States from the standpoint of geography; from the standpoint of maintenance of

its economic and political stability; and from the standpoint of providing an assured, dependable, and close source of supply to the United States, even in wartime.

The House bill, H.R. 12154, which is now before the Finance Committee of the Senate, provides for widespread division of the quotas for imported sugar. The Dominican Sugar Commission respectfully suggests that the foreign quota distribution be revised and for the most part confined to those Western Hemisphere countries that are the logical producers for and suppliers of most of the U.S. import requirement.

For these reasons and because the Dominican Republic is a dependable source of supply, close to the U.S. mainland, the sugar commission earnestly urges that total quotas for the Dominican Republic be increased to at least 900,000 tons per year.

The sugar commission also urgently requests the adoption by the Senate of the House-approved provision for the return of the $22.8 million imposed by the executive branch of the U.S. Government as entry fees on nonquota sugar purchases from the Dominican Republic in late 1960 and early 1961. The fees were imposed entirely for the purpose of preventing the Trujillo regime from getting the benefit of the U.S. premium price. The Trujillo regime has been overthrown and the people of the Dominican Republic will be the real beneficiaries of the money since, under an agreement between the Government and private sugar producers, the dollars authorized to be returned would become the property of the Dominican Republic and be available to stabilize their foreign exchange position. The people of the Dominican Republic are aware that all other countries that supplied nonquota sugar at that time received the quota premium price and they believe strongly that with the disappearance of the reason for imposition of the fee their country should be treated in the same manner other supplying countries were treated. The return of the $22.8 million has very great importance to both the economic and political stability of the country.

The Sugar Commission of the Dominican Republic hopes most sincerely that the Senate of the United States will favorably consider these recommendations and this appeal.

Submitted on behalf of:

COMISION DE DEFENSA DEL AZUCAR Y FOMENTO
DE LA CANA OF THE DOMINICAN REPUBLIC,
By PHILIP F. MAGUIRE, *Counsel, Washington, D.C.*

JUNE 22, 1962.

Senator DOUGLAS. The next witness is Mr. Robert C. Barnard, Queensland Sugar Board and the Australian sugar industry.

STATEMENT OF ROBERT C. BARNARD, ON BEHALF OF THE QUEENSLAND SUGAR BOARD AND AUSTRALIAN SUGAR INDUSTRY; ACCOMPANIED BY P. T. WHEEN, ASSISTANT GENERAL MANAGER, THE COLONIAL SUGAR REFINING CO., LTD.

Mr. BARNARD. Mr. Chairman, my name is Robert C. Barnard.

Mr. Chairman, I appear on behalf of the Queensland Sugar Board and the Australian sugar industry, which includes the Australian Cane Growers Association and the Australian Sugar Producers Association.

I have a prepared statement, Mr. Chairman, which I should like, with your permission, to submit for the record, and I would like to summarize the statement in the interest of conserving time.

I will submit that to the reporter.

(The statement of Mr. Barnard together with attachments, follows:)

STATEMENT OF ROBERT C. BARNARD ON BEHALF OF THE AUSTRALIAN SUGAR INDUSTRY, ON H.R. 12154

Mr. Chairman and members of the committee, I am grateful for the opportunity to appear before this committee on behalf of the Queensland Sugar Board and the Australian sugar industry, including the Australian Cane Growers Association and the Australian Sugar Producers Association.

We are pleased that the House of Representatives has considered Australia favorably to furnish sugar regularly to the United States and are hopeful that this committee and the Senate will also conclude that Australia should be considered as a permanent supplier.

The basis for our hopes that the Senate will consider Australia as a permanent supplier to the U.S. market is twofold: first, the growing trade that is now bringing these two democracies closer economically and, second, the close ties that have joined the United States and Australia as allies. This growing trade and the historic ties make it of benefit both to the United States as well as to Australia that Australia become a permanent supplier of the U.S. market.

1. The economic ties between the countries have become greater because of increasing trade with the United States and American investment in Australia.

Today America is the second largest exporter to Australia. The annexed chart shows that Australia has been turning more and more to the United States for its imports. Between 1955 and 1962 the U.S. share of the Australian import market doubled—from 10 to 20 percent.

The significance of this growth is shown by the fact that the value of U.S. exports to Australia more than doubled between 1955 and 1962. It rose from $200 million to $430 million. (The details appear on the chart annexed to this statement.)

In recent years, the United States has had an increasingly favorable balance of trade and of payments with Australia.

In 1961, the U.S. exports to Australia were greater by $135 million than imports from Australia.

The balance of payments favors the United States even more. In fiscal 1961 the U.S. favorable payments balance exceeded $500 million.

The advantage of the United States in trade and overall accounts with Australia is illustrated in the annexed chart. This advantage is emphasized by the fact that the U.S. exports to Australia represent export sales of U.S. goods in cash and for dollars.

Australia must depend on its own exports to maintain and increase its purchases from the United States. A sugar quota would help both the United States and Australia by promoting this growing trade.

2. The United States and Australia have a long record of partnership. They were Allies in World War I and in World War II. Since then they have grown closer through their membership in ANZUS, the mutual security treaty that unites the United States, Australia, and New Zealand, as well as through SEATO (the Southeast Asia Treaty Organization).

It would be a serious disappointment if the Congress were to adopt a principle, either for the setting of quotas or the filling of the reserved Cuban quota, that would ignore the trade and defense relations with Australia by confining the new allotments to the Western Hemisphere. We are hopeful that the Senate will agree that mere accident of geography should not be the basis for excluding a major exporter of sugar such as Australia from the U.S. market. To do so would be to exclude a historic ally of the United States and a close partner today in mutual defense and a significant and growing customer for U.S. exports.

In terms of pure geography, Australia's sugar is 1,500 miles closer than that of the Philippines. As for the danger of wartime transport, all offshore suppliers that must ship any distance on the open sea would face the same problem, regardless of their relative locations.

A sugar quota will tie the people of Australia more closely to the United States. It would benefit directly the 9,500 individual farmers who grow Australia's sugarcane and, through cooperatives, own half of its sugar mills. In all, some 350,000 Australians depend directly or indirectly on the sugar industry for their livelihood. The opportunity to supply sugar to the United States in 1961 was widely publicized; the opportunity to supply the United States in the future will be warmly received.

Australia's farmers will benefit directly from sales in the United States. Australia's cane farms average 60 acres each. These farmers operate under an orderly marketing program but they receive no subsidy. Their incomes derive directly from the proceeds of sugar sales in both the domestic and export markets. In fact, 70 percent of income from raw sugar sales goes to the farmer.

Australia's sugar industry offers the United States the advantages of a stable, reliable supplier which is one of the world's most efficient. Its production this year will exceed 1¾ million tons, an amount comparable to that of the Philippines. Its export facilities are fully mechanized for speedy shipment.

Australia hopes to be able to supply the U.S. market as a permanent quota supplier and, in addition, to supply, under reallocation, a portion of the sugar set

aside for Cuba. We are delighted that the House has decided that it is fair and reasonable, in the light of the facts, to grant Australia 50,000 tons of permanent quota. We are also pleased that the House authorized a portion of the temporary reallocation of the Cuban quota to be supplied by Australia.

It is well within Australia's capacity to supply the quantity of raw sugar to the United States authorized in H.R. 12154. It is available from existing farms and mills. This quantity for the U.S. market is in addition to that required for Australian domestic consumption and exports to established oversea markets.

I wish at this point to make Australia's position quite clear on this matter of Cuban reallocations. When Cuba becomes democratic and resumes friendly relations with the United States, then the Australian industry will be prepared to surrender its short-term reallocation of the Cuban quota without claiming any vested right whatsoever in such temporary reallocations. This is the position which the Australian industry has taken publicly ever since the Cuban supply was cut off in early 1960. I am glad to be able to reconfirm today the policy stated at that time.

We have not proposed a specific figure as a fair permanent quota for Australia. We have full confidence in the Congress' decision as to what would be a fair and reasonable quota for Australia.

We are confident that in the light of the facts we have presented, the Senate will conclude that it is beneficial both for the United States and for Australia that Australia be granted the privilege of supplying a portion of America's sugar needs on a regular basis.

May I thank the chairman and the members of this committee for permitting me to present Australia's request.

Summary of Points on Behalf of Australian Sugar Industry

1. The opportunity to supply sugar to the United States in 1961 made possible by Congress was widely publicized and warmly received by the Australian industry. Australia is hopeful that Congress will consider it favorably to furnish sugar to the United States regularly and at a fair price.

2. Australia's hopes are strengthened by its growing ties with the United States. These make it of benefit both for the United States and Australia that Australia should be given the privilege of supplying sugar to the United States on a permanent basis.

3. The United States and Australia, which are historic allies, have joined as allies in ANZUS and SEATO for the defense of the Pacific.

4. Today America is the second largest exporter to Australia. Between 1955 and 1962 the U.S. share of the Australian import market doubled from 10 to 20 percent and the value of U.S. exports to Australia more than doubled from $200 to $430 million. See charts 1 and 2.

5. The United States has a favorable balance of payments and trade with Australia. The U.S. payments surplus with Australia in fiscal 1961 was half a billion dollars. See chart 3.

6. Australia was the second largest customer of the United States among the full duty countries in 1961. See chart 4.

7. A U.S. sugar quota would benefit directly Australia's 9,500 individual cane farmers and the 350,000 Australians who depend directly or indirectly on the sugar industry.

8. Australia's cane farms average 60 acres. The industry receives no subsidy. In fact, 70 percent of income from raw sugar sales goes to the farmer.

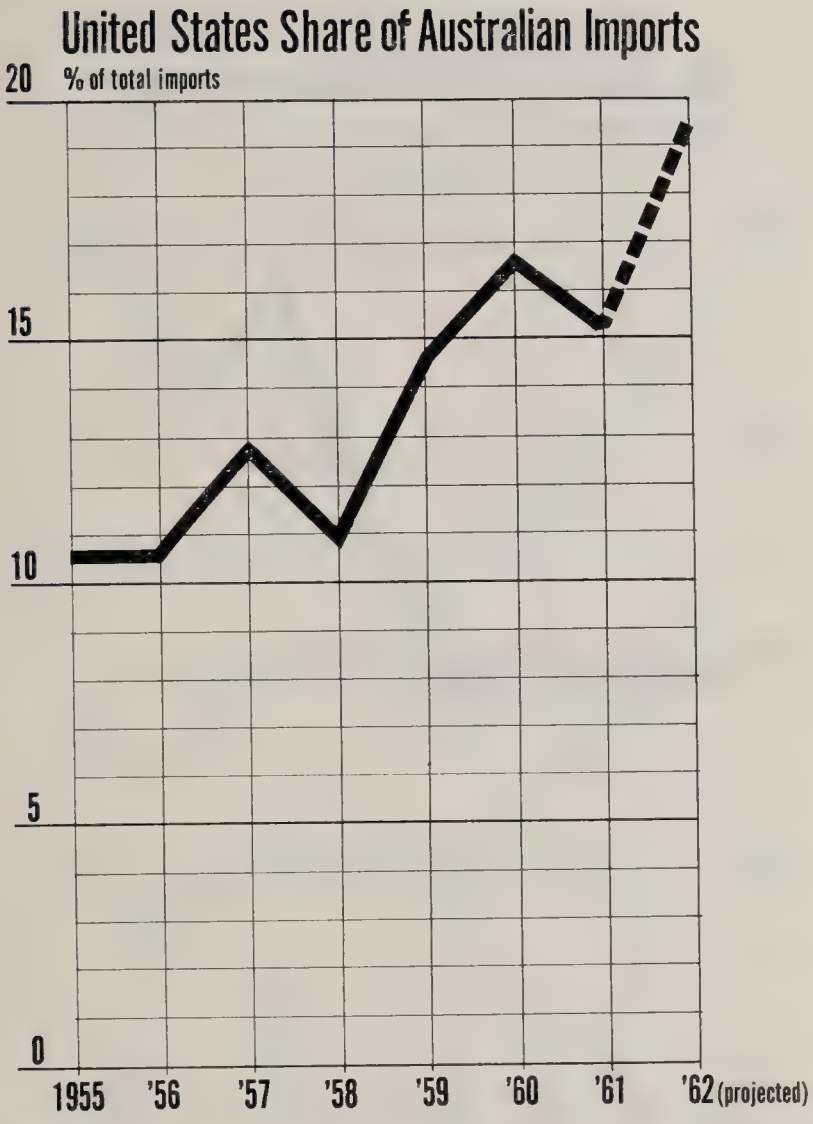
9. Australia's estimated raw sugar production in 1962 is 1¾ million tons, comparable with the Philippines. Its export facilities are fully mechanized for speedy shipment.

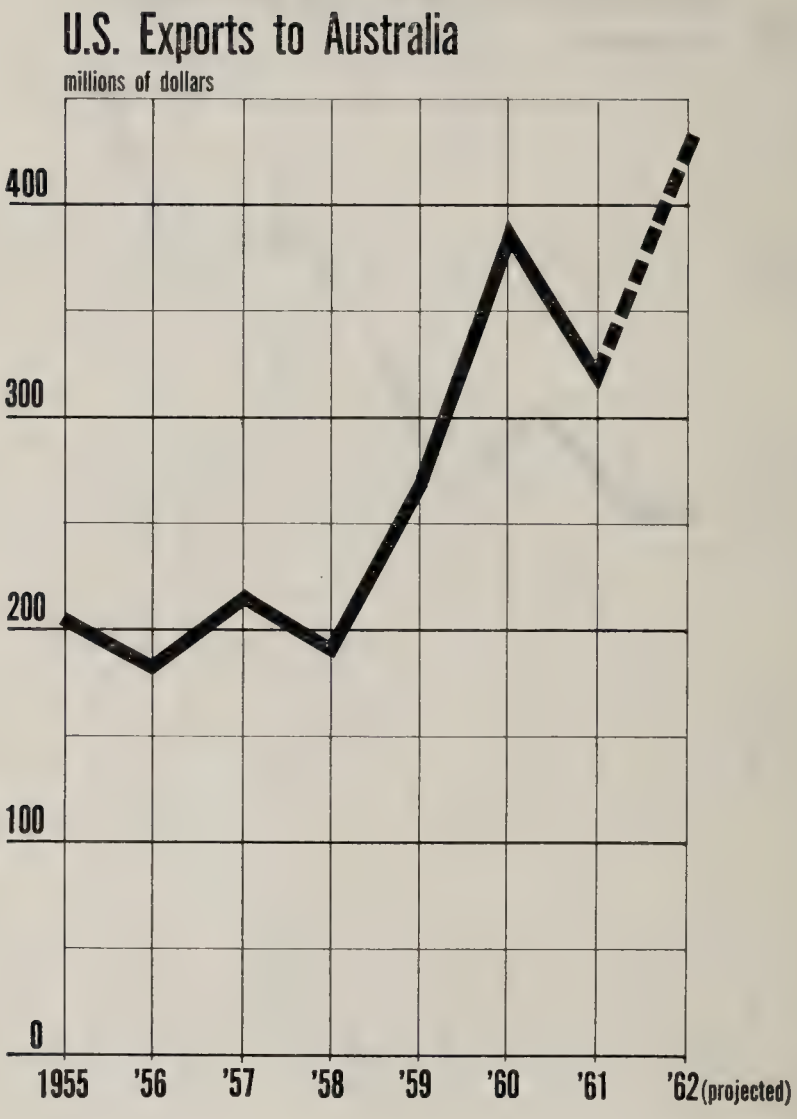
10. Australia has available more than 300,000 short tons of raw sugar each year for the United States. This is additional to the needs of established markets and can be produced without expanding existing acreage or mill facilities.

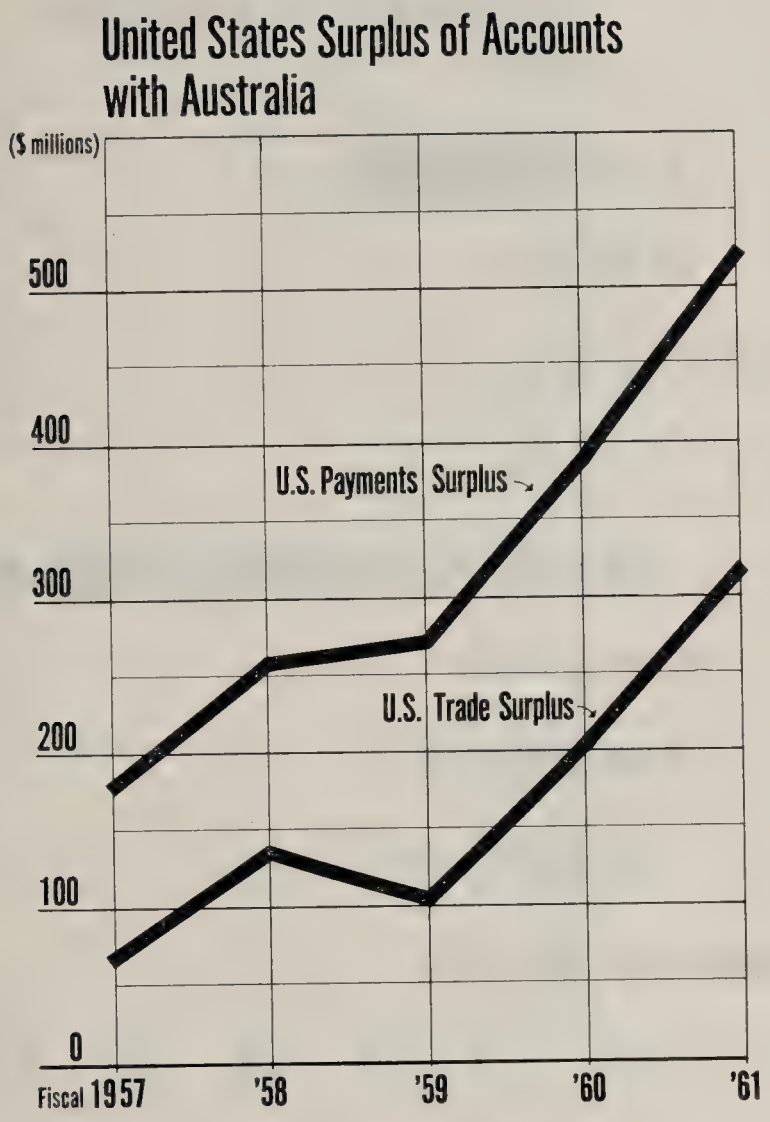
11. Australia seeks a permanent quota and a share in reallocations of the Cuban quota. The Australian industry will claim no vested right in the reallocations when Cuba becomes democratic.

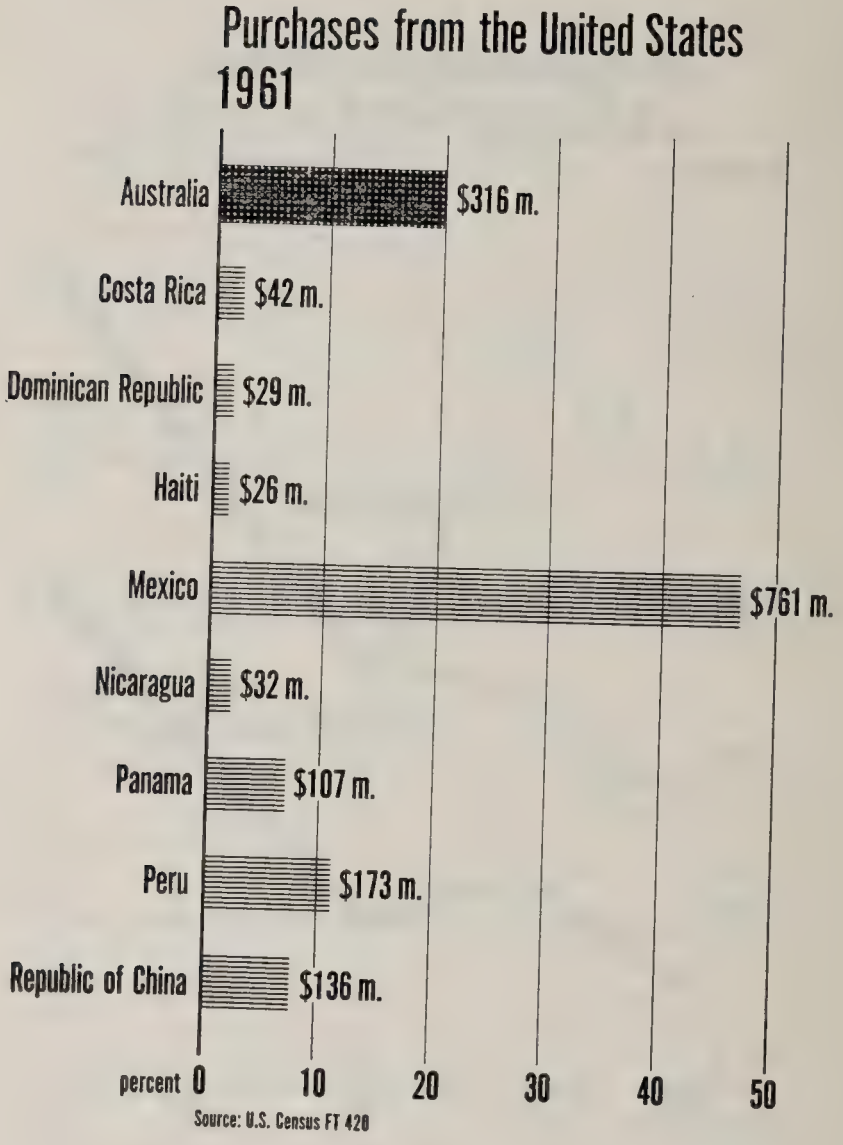
12. It would be a serious disappointment if Congress were to confine to the Western Hemisphere new quotas or the filling of the reserved Cuban quota. Mere geography should not exclude Australia. Australia's sugar is 1,500 miles closer than the Philippines to U.S. east coast markets.

13. Australia has confidence that the Congress will recognize a historic U.S. ally and a significant and growing customer for U.S. exports by permitting Australia to supply sugar regularly to the United States.


United States Share of Australian Imports
20
% of total imports
15
10
5
0
1955
'56
'57
'58
'59
'60
'61
'62 (projected)


U.S. Exports to Australia
millions of dollars
400
300
200
100
0
1955
'56
'57
'58
'59
'60
'61
'62 (projected)


United States Surplus of Accounts with Australia
($ millions)
500
400
300
200
100
0
U.S. Payments Surplus
U.S. Trade Surplus
Fiscal 1957
'58
'59
'60
'61


Purchases from the United States
1961
Australia
$316 m.
Costa Rica
$42 m.
Dominican Republic
$29 m.
Haiti
$26 m.
Mexico
$761 m.
Nicaragua
$32 m.
Panama
$107 m.
Peru
$173 m.
Republic of China
$136 m.
percent 0 10 20 30 40 50
Source: U.S. Census FT 420

Mr. BARNARD. May I say at the outset that Australia is grateful for the fact that the United States has made it possible for Australia to supply sugar to the United States in 1961.

This fact was widely publicized and warmly received by the Australian industry, and Australia is hopeful that the Congress will consider it favorably to furnishing sugar to the United States regularly and at a fair price.

Australia presents its views to this committee in the belief that because of the growing ties between Australia and the United States, it is of mutual benefit to both countries—it is of benefit to the United States and to Australia that Australia should be given the privilege of supplying sugar to the United States on a permanent basis.

First, may I comment on the political and military ties?

The United States and Australia have long been historical allies and are now joined together as allies in ANZUS and SEATO for the defense of the Pacific.

Secondly, may I comment on the trade and business existing between the two nations? Today America is the second largest exporter to Australia. Between 1955 and 1962 the U.S. share of the Australian import market doubled from 10 to 20 percent, and the value of U.S. exports to Australia more than doubled from $200 to $430 million.

I have presented a brief summary of the points and attached to the summary are charts.

The first two charts illustrate the extent to which—or the growing extent to which Australia is turning to the United States for its imports.

The United States has a favorable balance of payments and trade with Australia.

U.S. payments surplus with Australia in 1961 was $0.5 billion.

The third chart, Mr. Chairman, shows the growing trade surplus in favor of the United States and the growing balance-of-payments surplus in favor of the United States. In 1961 it reached $0.5 billion.

Australia was the second largest customer of the United States among the full duty countries in 1961. This is illustrated on the fourth chart.

The U.S. sugarcane quota would benefit Australia's 9,500 individual cane farmers and the 350,000 Australians who depend directly or indirectly on the sugar industry for their livelihood.

Australia's industry is not an industry of large plantations. The 10 largest farms or the 10 largest growers represent about 2½ percent of the total cane production in Australia.

The average size of the cane farm in Australia is 60 acres. The industry receives no subsidy.

The income of the farmers comes as a portion of the proceeds from the sale of raw sugar, and approximately 70 percent of the income from the raw sugar sales goes to the farmer.

We believe that this may be one of the highest or perhaps the highest return to the farmers on sales anywhere in the sugar business.

Australia's estimated sugar production in 1962 is 1¾ million short tons. This is comparable to the production of the Philippines.

It has fully mechanized export facilities and is able to turn ships around quickly for speedy shipment.

85601—62——30

Australia has available more than 300,000 short tons of raw sugar each year, beginning this year, for the U.S. market. This is additional to the sugar that is needed for the established markets, and can be produced in Australia without expanding any farm or mill facilities. It can be produced from existing facilities.

Australia seeks a permanent quota and a share in the reallocation of the Cuban quota.

I should like to make Australia's position completely clear on this matter of the reallocation of the Cuban quota. In 1960 the Australian industry stated, and I am told that it has been stated officially, that it would claim no vested right whatsoever in temporary reallocations when Cuba becomes democratic.

This position has been announced publicly, and I am glad to reaffirm it here today.

May I say, finally, that it would be a serious disappointment if Congress were to confine to the Western Hemisphere new quotas or the filling of the reserved Cuban quota.

We feel that mere geography should not exclude Australia from this market. Australian sugar is 1,500 miles closer than the Philippines to the U.S. eastern coast ports.

We have confidence that Congress will recognize Australia as a historic U.S. ally and a significant and growing customer for U.S. exports, and that the law adopted by the Congress will permit Australia to sell sugar regularly to the United States.

Thank you very much, Mr. Chairman and members of the committee.

Senator DOUGLAS. Thank you, Mr. Barnard.

The figures which I have indicate that previously Australia has had no permanent quota.

Mr. BARNARD. That is correct, sir.

Senator DOUGLAS. That in 1961 it was given a temporary quota of 90,000 tons.

Mr. BARNARD. That is correct, sir.

Senator DOUGLAS. That the House bill provides a permanent quota of 50,000 tons?

Mr. BARNARD. That is correct, sir.

Senator DOUGLAS. And it assigns a temporary quota of 150,000 tons.

Mr. BARNARD. That is correct, sir.

Senator DOUGLAS. For a total of 200,000 tons.

Mr. BARNARD. Yes, sir.

Senator DOUGLAS. This is a payment at the world price of $56 a ton, and an annual subsidy in the amount of $11,200,000. Is that correct?

Mr. BARNARD. On the basis of the calculation you are making, I assume that is correct, sir, but may I make a comment on it?

Senator DOUGLAS. Then I just want to clarify one more process of the multiplication.

For 5 years this would be a total subsidy of $56 million?

Mr. BARNARD. May I make a comment on that, sir?

Senator DOUGLAS. Certainly.

Mr. BARNARD. You have referred repeatedly in these hearings to the world price for sugar.

I am sure that the Senator is aware of the fact that the world price is an uneconomic price. It is below the price of production in every producing country in the world.

If the United States now is to adopt the policy of buying sugar at distressed prices it seems to me that the Congress should consider that policy seriously in light of the other policies which this Congress has supported of endeavoring to maintain and stabilize commodity markets in the world and to arrive at fair and reasonable prices for producers of commodities throughout the world.

Obviously, this a matter for the Congress.

We urge, before you adopt a policy of this kind, you consider that it is analogous, at least, to importing below—well, below-cost labor——

Senator DOUGLAS. Well, I would like to point out that Congress has not yet committed itself to an international cartel in the field of coffee or tea.

I hope we have not in tin, although it may be that some of the actions of our administrative agencies have been in that direction.

So that sugar is almost unique in this respect.

Mr. BARNARD. There is an International Sugar Agreement which, I am sure, the Senator is aware of, and may I say in that respect that the world price, the so-called world price—which is now the distressed price for sugar, is below the price provided in the International Sugar Agreement to which the United States is a signatory.

I believe all of these elements should go into the consideration of the Congress before it decides that this is a reasonable policy on which it chooses to trade with its friends.

Senator DOUGLAS. Is Australia a member of the Commonwealth Sugar Agreement?

Mr. BARNARD. Yes, sir.

Senator DOUGLAS. Where does Australian sugar go now?

Mr. BARNARD. It is sold to the United Kingdom, New Zealand, to Canada, and then it is sold in other markets in the world.

Senator DOUGLAS. What price does Australia realize for sugar sold under the Commonwealth Sugar Agreement?

Mr. BARNARD. We submitted figures in the House of Representatives which indicated that the average net return f.o.b. Australia, which is the only way that makes sense to our producers, is $75 to $85 a ton.

Senator DOUGLAS. Four cents a pound?

Mr. BARNARD. This is a composite price, sir.

Senator DOUGLAS. You are asking that we pay 6½ cents a pound?

Mr. BARNARD. We are not asking that you pay anything, sir——

Senator DOUGLAS. Well——

Mr. BARNARD. We are——

Senator DOUGLAS. At American prices that would mean——

Mr. BARNARD. We are asking for the opportunity to sell on this market.

Senator DOUGLAS. Yes, at higher prices than you sell to the Commonwealth.

Is that not true?

Mr. BARNARD. Senator, the price which the United Kingdom pays and which a great many countries in Europe pay for their sugar, and which they have decided is a fair and reasonable price for the sugar, is substantially the same as the price which the United States pays.

Senator DOUGLAS. Well now, just a minute. The price we would pay would be 6½ minus half a cent tariff, minus half a cent freight.

Do you say that you are getting 5½ cents for the sugar which you sell to the United Kingdom?

Mr. BARNARD. In terms of net return——

Senator DOUGLAS. No, I am speaking in terms of market price.

Do you say that you get the same price for sugar sold to the United Kingdom as you would get in the American market?

Mr. BARNARD. It is substantially the same, yes, sir.

Senator DOUGLAS. Well now, the term "substantially" is an overcoat.

It covers a multitude of sins——

Mr. BARNARD. Sugar is sold on a complicated formula which includes partly a negotiated price and partly another formula, sir.

You do not come out with exactly the same figure. The amount is substantially the same and the net return to Australian growers is substantially the same, f.o.b. Australian ports.

And this is true of other countries in the world. I urge this on the Senator, to suggest that the U.S. price—the conclusion which the U.S. Government has made as to what is a reasonable and fair price for paying for sugar, is not one that only the United States has made, but other nations have also concluded that this price level is reasonable and a fair figure to fix, to provide an adequate return and an adequate price for the people.

Senator DOUGLAS. Well, we have had testimony or we had testimony yesterday, and it may have been mistaken testimony, that the British price was less than the American price.

I think it was in connection with the Fiji Islands.

Mr. BARNARD. I believe it was Mauritius.

Senator DOUGLAS. Oh, yes.

Mr. BARNARD. Senator, we have made the calculations and in terms of both the price realized in the United Kingdom and the net return to the Australian growers, f.o.b. Australian ports, give or take a shilling, they come out even.

Senator MCCARTHY. Will you yield, Mr. Chairman?

Senator DOUGLAS. Yes, of course.

Senator MCCARTHY. Will you explain why the differential in the price is not reflected in the return to the Australian sugar industry?

What happened in between?

Mr. BARNARD. It is reflected in the return, sir. I said it is the same both ways.

Senator MCCARTHY. Well, what happens to the cent and a half?

What advantage do you get from dealing with the British that would offset the cent and a half difference in the price? There must be something in exchange.

Is there an indirect subsidy or——

Mr. BARNARD. Sir, when I refer to the United Kingdom price there are other sugars sold in other ways which realize different prices in different markets, and I was referring to the United Kingdom price to illustrate the point that the United States is not the only nation in the world which has concluded that this price level is a fair and reasonable price level to pay for sugar in the light of manufacturing, producing, and other costs that are reasonably incurred by the farmers.

This is an economic price.

Senator McCarthy. Well, I understand, but you said the return to the Australian sugar industry is essentially the same, whether you get 5½ cents from us or 4 cents from the British.

Mr. Barnard. No, we do not get 4 cents from the British, sir. The United Kingdom price is higher.

Senator Douglas. Well, what is it?

Senator McCarthy. What is it?

Mr. Barnard. It is a composite price. It comes out the same as the U.S. price.

Senator McCarthy. What goes into the composite price?

Mr. Barnard. Well, it is purchased under two kinds of formulas, sir, and the net result of the composite price is the same price as the United States.

Senator McCarthy. Well, what are the components of the composite price?

Mr. Barnard. Part of it is sold at one price and part at another.

Senator McCarthy. Well, what price?

Mr. Barnard. It is a negotiated price for part of the sugar that——

Senator McCarthy. Well, how much is sold?

What is the negotiation? How much do you get?

Do you get 10 cents a pound for 10,000 tons or how do you sell it?

Mr. Barnard. No, sir. The price is done on a negotiated basis.

May I ask a representative here to give me the precise figure?

Senator Douglas. Yes.

Mr. Barnard. This is Mr. Wheen.

Senator Douglas. Very glad to welcome you, sir.

Would you explain?

Mr. Wheen. Yes; with pleasure.

Mr. Chairman, as far as the United Kingdom is concerned, under the Commonwealth Sugar Agreement, there is a provision for what we call a negotiated price.

This is a price with the United Kingdom, the Ministry of Food, agrees to pay suppliers to that market under this agreement. The price is worked out by an agreed formula.

The formula is based on the cost established, a substantiated cost of production, in the various countries of the Commonwealth that supply the United Kingdom.

Senator Douglas. In other words, it varies from country to country?

Mr. Wheen. It is a uniform price, and the reason that it is a uniform price is it is an average price, that is to say, based on the average cost of production.

Senator Douglas. Excuse me, but perhaps you should follow this up.

Senator McCarthy. No, go ahead.

Senator Douglas. The average is taken from countries such as the British West Indies, and the Fiji Islands——

Mr. Wheen. Australia——

Senator Douglas (continuing). And Australia?

Mr. Wheen. And there was South Africa until recently.

Senator Douglas. Well, what do you get in England?

Mr. Wheen. Yes. This price provides for—if I can just make this point before answering your question directly, sir——

Senator Douglas. Yes.

Mr. WHEEN (continuing). This price is made up of an established average cost of production plus a margin, a margin for depreciation on equipment in the mills and the fields plus a profit margin.

The total price is then declared as agreed, and this is the results of the formula. It gives the price at an annual review.

The current price is sterling £45, 15s. and 3d. per long ton tel quel.

"Tel quel" might sound technical but what it means is this, compared with the expression of the U.S. price in terms of the current U.S. Sugar Act, which is expressed in short tons, 96° polarization.

The Commonwealth price is expressed as so much per long ton tel quel, that is, "as it is" whether it is 98.5 polarization or any other polarization.

Now, this price of sterling £45 15s. 3d. per long ton is a c.i.f. price, but it is not the c.i.f. price in normal commercial terms, because the freight element in that price is the prewar freight rate, unrelated to the existing current level of freight rates.

This is a matter of convenience and not of shenanegans.

Senator MCCARTHY. I think the British currency is fine, but what does that figure out in dollars, in dollars per short ton?

Mr. WHEEN. Well, sir, it is a matter of arithmetical calculation, of multiplying 45.75 or thereabouts by 2.8.

I am not much good at arithmetic, but that will give the answer.

Perhaps the chairman can help us.

Senator CURTIS. While you are figuring that out I would like to ask Mr. Barnard something, if I may, Mr. Chairman.

Senator DOUGLAS. Surely.

Senator CURTIS. Now, with the exception of the Communist world almost 90 percent of the sugar moves in some sort of sugar program.

Is that not right?

Mr. BARNARD. Yes, sir.

Senator CURTIS. There is no world price other than a dumping price for that excess?

Mr. BARNARD. I appreciate your bringing that point out, Senator Curtis.

I think that is a very significant fact to be borne in mind by the committee.

Senator CURTIS. And I think it is quite misleading to some of our people and some of our consumers here because the sugar business in the world just is not carried on under a free world price, is it?

Mr. BARNARD. I appreciate your emphasizing that, Senator. I think this is completely correct.

The sugar business is not carried on at that price. That is the little tag end, distressed market.

Senator CURTIS. Well, now, is it not true that the United Kingdom is buying sugar from the Communist bloc now?

Mr. BARNARD. To my knowledge, no.

Senator CURTIS. They are not buying it from Poland?

Mr. BARNARD. To my knowledge, no, sir. I do not know of any, Senator.

Senator CURTIS. Well, these various parts of the Commonwealth are not selling to the United Kingdom as much as they used to, are they?

Mr. BARNARD. Well, the United Kingdom has lost part of its market, because the United Kingdom was actually a refining nation for

some of the sugar it imported, and it reexported white refined sugar and, as it has been brought out earlier, it has lost some of its white refined market to sugar which is coming from the Communist bloc nations.

Senator CURTIS. That is being handled by United Kingdom interests, is it not?

Mr. BARNARD. Not to my knowledge, sir.

Senator CURTIS. That is my information. I may be mistaken but I heard that to be true.

Mr. BARNARD. Your information may be better than mine, sir. I do not know about that.

Mr. WHEEN. Can I answer your question?

Senator CURTIS. Yes.

Mr. WHEEN. I think what you are referring to here is a particular type of trade in the United Kingdom where sugar comes into the United Kingdom and is reexported, for example:

The United Kingdom used to buy substantial quantities of San Domingo sugar, refine it in the United Kingdom, and sell it in various countries in the world—in southeast Asia and the Middle East, and that may be the example. Two things have been happening recently. Where the Soviet bloc has been expanding their trade, throughout southeast Asia and through the Middle East and capturing a market for export sugar which was formerly the United Kingdom's.

Now, in addition, the United Kingdom is, in effect, an open market as there are no quotas in terms of importing sugar into the country; recently there has been a lot of sugar coming from the continent, French, Belgian, and sugar from Holland, and you have it coming in secondhand rather than direct, and this has reached a volume of something between 100,000 and 200,000 tons a year.

In consequence of this the Board of Trade has decided that a limit will be placed on the amount of sugar coming into the country from those sources, that is, France, Belgium, and Eastern European countries.

Senator CURTIS. By "Eastern European countries" you mean Communist countries?

Mr. WHEEN. Yes; I do.

Senator CURTIS. And whether the sugar is or is not actually in the United Kingdom, the United Kingdom has been getting sugar from Communist countries, has it not?

Mr. WHEEN. I cannot speak for the United Kingdom Government, sir, but it is my firm impression that sugars of Eastern European origin have been coming into the United Kingdom.

Senator CURTIS. Are you selling as much Australian sugar in the United Kingdom now as you used to?

Mr. BARNARD. Yes.

Senator CURTIS. Are all the other parts of the Commonwealth?

Mr. BARNARD. Yes.

Senator CURTIS. When did you sell your first sugar into the United States?

Mr. BARNARD. The first sugar sold in the United States was last year, sir, 1961.

I believe some sugar was sold to the Armed Forces during the war, but the first sugar sold in the United States for the U.S. market was 1961.

Senator CURTIS. Now, you say that you have available 300,000 tons.

Where have you been selling that?

Mr. BARNARD. This is on the assumption that we harvest all of the cane which is presently in the field. Australia has not harvested all of her cane in the past.

If we harvested all of the cane this year we would have 300,000 or in excess of 300,000 tons available for this market.

Senator CURTIS. That is all, Mr. Chairman.

Mr. WHEEN. Could I now deal with the question that you posed, sir, on the value?

Senator CURTIS. Yes, please.

Mr. WHEEN. With the help of someone else, and I have not checked the figures, but I do have these figures here, sterling 45 pounds, 15 shillings, and 3 pence is equivalent, in round figures, to $128 per long ton, which is the equivalent to, per short ton tel quel $114.

Senator CURTIS. How much is that a pound?

Mr. BARNARD. 5½ cents a pound.

Senator DOUGLAS. Well, to be precise, 5.7 cents a pound.

Senator CURTIS. And what do you get when you are selling in the United States?

Mr. BARNARD. The same, sir. Well, it is the price less the——

Senator DOUGLAS. Just a minute. Is this the only price you get? Do you not also sell to Commonwealth countries at the world price?

Mr. WHEEN. No, sir. In giving the price of sterling 45 pounds, 15 shillings, and 3 pence, I am referring to what we call a negotiated price.

Australia has a quota in the United Kingdom of 313,500 tons per annum.

Senator DOUGLAS. Yes?

Mr. WHEEN. At the negotiated price. That price currently is sterling 45 pounds, 15 shillings, and 3 pence.

Senator DOUGLAS. Now, then, is that all the sugar that you sell?

Mr. WHEEN. To the United Kingdom, within a few thousand tons, that is correct.

Senator DOUGLAS. Yes, but what about the other Commonwealth countries?

Mr. WHEEN. Yes. We sell to Canada and to New Zealand.

Senator DOUGLAS. And what price do you sell to them at?

Mr. WHEEN. We sell basis the world price, because there is preference in Canada and the price sold to New Zealand at times——

Senator DOUGLAS. In other words, you sell at world price in Canada and New Zealand?

Mr. WHEEN. Not at world price, sir. This is basis world price.

Senator DOUGLAS. What is the difference between world price and basis world price?

Mr. WHEEN. Well, sir, let me explain.

We would offer to Canada on the basis of the world price, that is to say, we would make an offer to them of a cargo, for example, if the world price is 2.70, it would be something like 2.70, plus additional freight to Canada——

Senator DOUGLAS. How much additional?

Mr. WHEEN. This is a marketing operation which varies from day to day, depending on competition.

Senator DOUGLAS. How much do you get on sales to Canada?

Mr. WHEEN. Sir, when we speak of a world price, please believe me, that that is merely a price which is fixed. It is not real——

Senator DOUGLAS. We are trying to get at how much is attached to the price.

How are you getting—how much are you getting now?

Mr. WHEEN. I think if I put it this way you will understand it: That in respect to Canada there is a preference for British sugar, British Commonwealth origin sugar, entering Canada.

That preference is the equivalent of $1 per hundred pounds.

Senator DOUGLAS. One cent a pound or $20 a ton.

Well, now, what does this mean? What do you get? I will not say "what will you get," but what do you get per pound on the sugar sold to Canada?

Is this 2.7 plus 1 cent or 3.7 cents?

Mr. WHEEN. That is correct, sir. That is close enough.

Senator DOUGLAS. Well, now, at last we are getting it. You are asking the United States to pay you 6.5 minus 1 or 5.5.

Senator CURTIS. That is what United Kingdom pays; is it not?

Mr. WHEEN. Yes, sir.

Mr. BARNARD. Senator, I repeat what I have said before: We are not asking that you pay that amount. We are asking that you pay whatever the United States deems is fair and reasonable.

Senator DOUGLAS. I understand.

Senator MCCARTHY. We want to be as fair and reasonable as the United Kingdom.

Senator DOUGLAS. Or at least Canada.

Senator MCCARTHY. How many thousand tons do you sell? You sell 300,000 at preferred prices in England.

How many thousands of tons do you sell, in addition to that, at the preferred but not the most preferred price?

Mr. BARNARD. 160,000 tons, sir.

Senator MCCARTHY. In the Commonwealth?

Mr. BARNARD. Yes.

Senator DOUGLAS. In the Commonwealth or Canada?

Mr. BARNARD. The Commonwealth.

Senator MCCARTHY. How much, in addition to that, do you sell in the world market in other areas of the world?

Mr. BARNARD. It is approximately 150,000 tons, Senator.

Senator MCCARTHY. In addition?

Mr. BARNARD. Yes.

Senator DOUGLAS. And what do you sell for in the world market?

Mr. BARNARD. World price.

Senator DOUGLAS. World price?

Senator MCCARTHY. Where does this go, now?

Mr. BARNARD. To a wide variety of consuming nations, Senator.

Senator MCCARTHY. Well, which ones are they? European? Continental?

Mr. BARNARD. Japan, Hong Kong, Malaya, and there are other purchasers, too, sir.

Senator MCCARTHY. Tell me why would you have an excess capacity of 300,000 tons when supposedly you have been selling almost two-thirds of your sugar at a loss?

Mr. BARNARD. The production of cane has improved on the existing farms. It has improved very substantially over the years, sir.

And there is cane now in the fields which will not be harvested because there is no market for it, and the cane will simply be left in the fields.

And if that cane is harvested, 300,000 tons will be available or over 300,000 tons will be available for the U.S. market.

Senator McCarthy. But you have been selling 150,000 tons in an unprotected market which every witness we have heard, I think, has said is a loss market.

Mr. Barnard. That is correct, sir.

Senator McCarthy. And you tried to make up for that in the sale of 300,000 in England and 160,000 in the Commonwealth?

Mr. Barnard. That is correct, sir.

Senator McCarthy. That is strange economics.

Mr. Barnard. Up until the time that the International Sugar Agreement was destroyed by Cuba the world market price was not as disorderly as it is now, sir.

And you do not turn sugar production on and off, depending on a fluctuation in price. It takes time for these things to reflect themselves on the farms.

Obviously, there is hope that the world price will improve. There is no assurance that it will.

There is certainly hope that it will improve up to the cost of production, and it is for this reason that we have urged to you that this committee should consider seriously, before it adopts a law in which the United States says that it will purchase commodities below production costs, in all of the producing countries of the world——

Senator McCarthy. Well, I think we have a living example that you do not get reduced production by reducing prices.

We can make this application to the domestic agriculture, and if we do we might get the House of Representatives to change their point of view.

Thank you. I have no further questions.

Senator Curtis. No further questions.

Senator Douglas. Well, I would like to make a point, if I may.

In effect, you are asking us to pay you a higher price for sugar than you collect from your fellow Commonwealth country, Canada?

Mr. Barnard. At this moment, sir, if we sold to the United States at the present domestic price it would be at a higher price; yes, sir.

Senator Douglas. Well, now, do you think the United States should assume a greater burden to aid Australia than a member of the British Commonwealth assumes?

Mr. Barnard. It is not a matter of aiding Australia; I think it is a matter of mutual benefit to both nations.

Senator Douglas. Well, why do you not get Canada to do this?

Why should we pay a higher price for your sugar than your sister Commonwealth?

Mr. Barnard. I think this is a matter of negotiation and determination by the governments as to what is fair and reasonable in light of all of the circumstances.

Senator Douglas. Well, if I may say so, that is simply verbiage to conceal any justification.

Mr. Barnard. Well, Senator, if you feel that that is a fair price, I would urge that the committee adopt it.

Senator Douglas. Adopt what?

Mr. BARNARD. The Canadian price. At least, we are assured that that is a price that is closer to the production cost.

Senator DOUGLAS. Let me ask you this: Is Malaya in the British Commonwealth?

Mr. WHEEN. In a sense; yes.

Senator DOUGLAS. At what price do you sell to Malaya?

Mr. BARNARD. The world price.

Senator DOUGLAS. So you have three prices inside the British Commonwealth?

Mr. BARNARD. Oh, I am sorry. I made a mistake, sir.

We do not sell it at that. It was at a preference price there, too.

Senator DOUGLAS. Is it the same as the Canadian price?

Mr. WHEEN. No, different.

Senator DOUGLAS. Is it lower than the Canadian price?

Mr. WHEEN. Yes, sir, but these things are not as simple as this, and I feel sure you understand.

Senator DOUGLAS. In other words, you have three prices within the British Commonwealth, the price to the United Kingdom, a price to Canada, and a price to Malaya.

Are there any other prices inside the Commonwealth?

Mr. BARNARD. This is not a matter that is all negotiated at single negotiations, Senator.

Senator DOUGLAS. I understand.

Mr. BARNARD. These are prices that have a wide range of reasons for them.

Senator DOUGLAS. I understand, and then you are negotiating separately with us?

Mr. BARNARD. Well, I do not regard this as a negotiation, but if you choose to, I will.

Senator DOUGLAS. Well, you are appearing——

Mr. BARNARD. That is correct, sir. We think that there are facts which we hope you will consider.

Senator DOUGLAS. That is why I say it is a negotiation.

Mr. BARNARD. We are not negotiating with you on price, sir. If you fix the price that is the price it will be.

Senator DOUGLAS. Then you would be willing to sell to us at world price?

Mr. BARNARD. We want to come into the market——

Senator DOUGLAS. And you would gladly accept world price?

Mr. BARNARD. Gladly accept? I do not know that anyone accepts a price below production costs gladly.

Senator DOUGLAS. Would you accept world price?

Mr. BARNARD. I beg your pardon?

Senator DOUGLAS. Strike out "gladly" and let the question remain: Would you accept world price?

Mr. BARNARD. I do not think you can answer that now, sir.

Senator DOUGLAS. Well, what you do want is world price plus?

Mr. BARNARD. Yes.

Senator DOUGLAS. Yes. Well, I would say that is a negotiation on price as well as on quantity.

Senator MCCARTHY. We could ask for at least favored nation treatment.

Senator DOUGLAS. Well, it seems to be close to favored nation treatment.

Well now, do you not think this might weaken the ties which bind the sister Commonwealths together?

Mr. BARNARD. Certainly not, sir.

Senator DOUGLAS. If you get a higher price from us than you get from Canada?

Mr. BARNARD. Certainly not.

Senator DOUGLAS. Would that not make you look more affectionately upon us rather than upon Canada?

Mr. BARNARD. Certainly not.

Senator DOUGLAS. We would not get your friendship then by doing that?

Mr. BARNARD. You certainly would.

Senator DOUGLAS. We do not lose any friendship?

Mr. BARNARD. You are not a bit inconsistent sir, to have friendship for two.

Senator DOUGLAS. I see. But, nevertheless, you think we should pay more than Canada?

Mr. BARNARD. Yes, sir—no, we are willing to accept the Canadian price if you regard that as a fair and reasonable price, certainly.

Senator DOUGLAS. But you really want us to pay the British price?

Mr. BARNARD. Sir, we think that the British and the United States in the past have made a determination that that is a price representing a fair and reasonable return to farmers who are growing cane. We regard this as a matter of determination in judgment.

The U.S. price is not so out of the sky as has been indicated here.

It is a price that other nations have concluded is a fair and reasonable price.

Senator DOUGLAS. Well, do you not think you are endangering Commonwealth ties, making the Commonwealth of Australia more dependent upon the United States?

Mr. BARNARD. Certainly not, sir.

Senator DOUGLAS. Well, yes, you will be. You will be getting your market not nearly inside the Commonwealth but in the United States.

Mr. BARNARD. Sir, we are trading with the United States in increasing quantities every year.

Senator DOUGLAS. But does not this interfere with the loyalty which you should show toward your Queen?

Mr. BARNARD. Certainly not, sir. They are not a bit inconsistent.

Senator MCCARTHY. Could I ask a question?

Senator DOUGLAS. Yes.

Senator MCCARTHY. Somewhere in the earlier testimony it was stated that there was an average cost of production figure for the whole Commonwealth, and on the basis of that then you begin to determine what prices should be paid.

What is that average price?

Mr. BARNARD. The average net return to the growers, f.o.b., Australia, from Commonwealth sales is $75 to $85 a ton.

Senator MCCARTHY. No, I understand that, but the question is:

What is the average cost of production that has been estimated for all of the producers of sugar within the Commonwealth?

I think it was you who made a statement earlier that this was the beginning, and then on that basis, why, they fixed the price that England determined they would pay.

Mr. WHEEN. I think you will appreciate, Mr. Senator, that when it comes to questions of cost of production, and you are dealing in a competitive field, it is generally accepted that they are confidential.

And inside the British Commonwealth agreement the actual costs of production, as established for individual territories, are kept confidential to those territories concerned.

Senator MCCARTHY. I assumed that this average that you find in the Commonwealth might be an average for the rest of the world and we might be able to determine whether we are paying too much of a premium or whether the price we are offering is unfair and unreasonable because it is too high.

Mr. WHEEN. I think I can answer your question directly if I may.

You are referring to the negotiated price in the United Kingdom, and the average price that I quoted, sterling £45.15.3 per long term, brought to a comparable basis—that is either c.i.f., New York, or f.o.b. the territory source, or c.i.f., United Kingdom—and I mean full c.i.f.—then the United Kingdom price is almost exactly, almost exactly, the current U.S. domestic price; that is to bring it in on a comparable basis that I have done here, before duty, and I repeat, before duty.

And I have these figures here where I have calculated this on the basis of f.o.b., Caribbean ports.

My reason for taking that basis is that that is how the world price, so-called world price, is expressed.

When we think of $2.70, we speak of $2.70 cents f.o.b. Caribbean ports.

Now, the United Kingdom negotiated price, under the Commonwealth agreement, f.o.b., Caribbean ports per long ton is sterling £44.

The U.S. price, c.i.f. duty paid in New York, $6.48, deducting duty and freight which are caculated at 93 cents to bring it to f.o.b. Caribbean ports' basis, is equal to sterling £44 per ton.

In other words, these two prices I am dealing with, not round pounds but pretty close to round pounds, they are identical.

And, as Mr. Barnard said, this is not an oddity. This is not a unique position. This does not imply a subsidy because if you go into Europe the continental countries pay virtually the same level, within a few shillings per ton, of these figures that are taken by the United Kingdom and have been taken by the United States of America as a reasonably remunerative price to efficient producers.

And it is on that basis that the formula of the United Kingdom negotiated price is calculated.

Senator DOUGLAS. But you make separate agreements with other Commonwealth countries for the lower prices?

Mr. WHEEN. Sir, within the Commonwealth, under the statute of Westminster and whatnot, as you will be aware, you are dealing with separate governments, separate entities, with separate views, and each government is entitled to its own view, United Kingdom, Australia, and United States of America.

And as far as the Australian sugar industry is concerned, we would not wish to interfere with the views of the United States of America.

In Canada, sir, if Canada chooses to obtain its sugar on the basis of offering a preference or indicating by other methods that it will prefer Commonwealth sugar against others, we would not interfere.

And the Commonwealth and other territories offer sugar on that market competitively.

Senator DOUGLAS. But the aggregate of the world price plus the preferential tariff in Canada gives you a net of 3.7 cents a pound?

Mr. WHEEN. On the basis of the present market price, world market price, that is approximately correct.

Senator DOUGLAS. Or roughly 1.8 cents below the price which the United States now pays?

Mr. WHEEN. That is approximately correct.

Senator DOUGLAS. Do you not think you should treat us as well as Canada?

Mr. WHEEN. Well, sir, I am not about to conduct a negotiation, but if that is the price that the United States considers fair, and if you—I will go a bit further, because I, myself, personally would not consider that a fair price.

I think that the Canadians should be paying more for their sugar than they do.

Senator DOUGLAS. But you, nevertheless, consent to this agreement with them?

Mr. WHEEN. No, there is no agreement, sir. This is an open market.

We have no agreement with the Canadians. They have no sugar bills such as you have in the United States or sugar acts.

Senator DOUGLAS. But you think we should pay more than the Canadians are now paying?

Mr. WHEEN. I think that every responsible government or country should pay a fair price, a fair price, that is fair both to the producer and to the consumer.

Senator DOUGLAS. I do not want to badger you, so to speak, but there are very interesting international issues here which deserve to be discussed in the attitude of friendship.

Then you feel that Canada is not really treating you properly?

Mr. WHEEN. I think it is very difficult to go and take any segment of international trade and say that you have been receiving unfair treatment because in other respects of our trade relations with Canada, overall, they are not that way.

I think Mr. Bernard has pointed out that we felt an adverse balance of payments against Australia of $0.5 billion a year, and each dollar to us in Australia means a lot, and we are not asking a great deal to have our name included on the list to enable us, to just have the right of selling in this market.

You see, in the case of Hannover, all the world can compete there. In this market today it has not been the case.

Indeed, Australia has been completely excluded.

Senator DOUGLAS. We would like to have all the world compete in our market.

We would like to adopt the Canadian system and have a world price and open our doors——

Senator CURTIS. May I ask the distinguished chairman a question?

Senator DOUGLAS. Oh, certainly.

Senator CURTIS. Who are you implying by the term "we"?

Senator DOUGLAS. "We"? I.

Senator CURTIS. I see.

Well, I want to go on record as opposed to providing sugar for the tables in America from those places in the world that are most successful in exploiting human labor, and that is what established the world price.

I want no part of it.

Senator DOUGLAS. Thank you.

Senator CURTIS. I respectfully disagree with our distinguished chairman.

Senator MCCARTHY. But I hope you will vote with me on the migratory farm bill next time——

Senator CURTIS. I probably will. Our sugarbeets are getting largely mechanized. We are not interested in that.

Senator MCCARTHY. Not any more?

Senator DOUGLAS. Mr. Barnard, we ask this question of everyone who appears. I hope you will not resent it if we ask this question of you.

Do you have a fee for representing the Australian interests?

Mr. BARNARD. Yes, sir.

Senator DOUGLAS. Do you want to state what it is?

Mr. BARNARD. I have, in advance of receiving the telegram, sir, written a letter to you which I will be delighted to read if that will answer it, and I will, of course, file it with you.

The committee has requested we submit a statement as to the nature of the agreement between our firm and the Queensland Sugar Board and the Australian sugar industry.

In January 1961 our firm entered into a 3-month retainer agreement with the Colonial Sugar Refining Co., Ltd. The Colonial Sugar Refining Co., Ltd., a privately owned Austalian corporation, was acting on behalf of the Queensland Sugar Board and the Australian sugar industry.

At the conclusion of the 3-month period the retainer agreement was replaced by an oral arrangement under which professional services were rendered on a normal professional basis, that is to say, statements were submitted and payments were received based on the amount of work involved together with reimbursement for out-of-pocket disbursements.

As a normal professional arrangement, the agreement with the Colonial Sugar Refining Co., Ltd., is terminable at any time by either party on giving notice.

The agreement is in no way contingent on the amount of sugar which the Australian sugar industry ships or sells in the U.S. market.

And may I say that in this connection while Australia sold 90,000 tons of sugar in the United States in 1961 it was not reflected in any contingent way or in any way in our fee.

Our firm also performs regular professional services for the Colonial Sugar Refining Co., Ltd., on matters not related to the sugar legislation in the United States. All sums received from the Colonial Sugar Refining Co., Ltd., for professional services are included in the statement filed with the Department of Justice under the Foreign Agents Registration Act.

Attached to this letter is exhibit B to the form filed with the Department of Justice pursuant to section 2 of the Foreign Agents Registration Act of 1938, as amended, for the 6-month period ended June 30, 1961, setting forth the contractual relationships between our firm and the Colonial Sugar Refining Co., Ltd.

Senator DOUGLAS. And what is your fee?

Mr. BARNARD. It is not fixed, sir. It depends on the amount of work which is done.

Senator DOUGLAS. What did it amount to last year?

Mr. BARNARD. I can tell you the amount of fees received, if that is what you would like me to give you.

I have it here.

From January 1 to June 30, 1961, fees in the amount of $10,500 were received.

From July 1 through December 31, fees in the amount of $8,250.

Thus far this year, from January 1 through March 31, 1962, fees in the amount of $4,400 were received.

Senator DOUGLAS. Do you have an allowance for expenses?

Mr. BARNARD. Out-of-pocket expenses, sir, such as telephone, telegraph, and normal——

Senator DOUGLAS. No entertainment allowance?

Mr. BARNARD. No, sir.

Senator DOUGLAS. Thank you very much.

Mr. BARNARD. Thank you, sir.

Mr. Chairman, shall I submit this letter or may I regard it as submitted?

Senator DOUGLAS. I think we asked to have it submitted.

Mr. BARNARD. Yes, sir.

(The letter follows:)

CLEARY, GOTTLIEB & STEEN,
Washington, D.C., June 23, 1962.

The CHAIRMAN,
Senate Finance Committee, Washington, D.C.

DEAR MR. CHAIRMAN: The Committee has requested we submit a statement as to the nature of the agreement between our firm and the Queensland Sugar Board and the Australian sugar industry.

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Our firm also performs regular professional services for the Colonial Sugar Refining Co., Ltd., on matters not related to the sugar legislation in the United States. All sums received from the Colonial Sugar Refining Co., Ltd., for professional services are included in the statement filed with the Department of Justice under the Foreign Agents Registration Act.

Attached to this letter is exhibit B to the form filed with the Department of Justice pursuant to section 2 of the Foreign Agents Registration Act of 1938, as amended, for the 6-month period ended June 30, 1961, setting forth the contractual relationships between our firm and the Colonial Sugar Refining Co., Ltd.

Sincerely yours,

ROBERT C. BARNARD.

EXHIBIT B

Registrant is retained by the Colonial Sugar Refining Co., Ltd., of Sydney, Australia, to render legal advice regarding the U.S. sugar laws and their administration. The services for which the registrant is retained include giving information and advice concerning any proposals that affect U.S. sugar imports under the Sugar Act. Registrant was originally retained for a period of 3 months, from January to March 1961. Since the conclusion of that period, registrant has been rendering the above-described services pursuant to an oral arrangement subject to the normal terms and conditions applicable to attorney-client relationships.

(The following was later received for the record:)

Included in 1961 foreign agents registration statements

Period covered	Fees	Disbursements incurred	Disbursements reimbursed
Jan. 1–June 30, 1961	$10,500	$606.98	$286.78
July 1–Dec. 31, 1961	8,250	1,618.17	1,876.08

To be included in June 30, 1962, foreign agents registration statement

	Fees	Disbursements
Jan. 1–Mar. 31, 1962	$4,400	$466.83

Senator DOUGLAS. Our next witness is Mr. Purcell. We are very glad to have you, Mr. Purcell.

You have a very distinguished record of public service. We are very glad to welcome you.

STATEMENT OF GANSON PURCELL, ON BEHALF OF THE NICARAGUA SUGAR ESTATES, LTD.

Mr. PURCELL. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Ganson Purcell. I appear on behalf of Nicaragua Sugar Estates, Ltd., Nicaragua's largest sugar producer. We appreciate this opportunity to present a statement in Nicaragua's behalf.

We believe the United States should rely upon Nicaragua for a larger portion of its sugar requirements than that proposed under H.R. 12154. The reasons in support of our position are set forth in my testimony on May 24, 1962, before the House Committee on Agriculture. I do not propose to repeat the detailed statements that I made there. I would, however, like to summarize briefly the views of Nicaragua's sugar producers on S. 3290 and the provisions of H.R. 12154 as it passed the House.

Let me say first that we endorse the basic principles of H.R. 12154. That bill rejects the proposals for a so-called global quota and recapture of premium which are contained in S. 3290. The House bill reaffirms the major objectives of the Sugar Act of 1948, and projects into the future the essential elements of a sugar program which has met with notable success for more than a quarter of a century. As a means of insuring adequate and stable sugar supplies, it retains the area-by-area, country-by-country quota system—a cornerstone of existing sugar legislation. We believe these features are essential to a sound sugar program for the United States.

However, on behalf of Nicaragua, we urge the committee to modify H.R. 12154 in two respects:

(1) Provide Nicaragua with a minimum basic quota of not less than 50,000 tons by increasing its percentage proration of the quotas fixed as foreign countries other than the Republic of the Philippines.

(2) Permit Nicaragua to ship direct-consumption sugar within such basic quota during the life of the new law, to the extent of the average amount of sugar entered by it during the years 1957, 1958, and 1959. This would require an increase of the ceiling in the proposed amendment to section 207 of the 1948 act to such percentage proration as may be fixed for Nicaragua in section 202(c)(3). Historically, Nicaragua has always been permitted modest entries of direct-consumption sugar. The House bill would eliminate all such shipments by Nicaragua in the future. Our proposal would enable Nicaragua to enter into the United States annually about 10,800 tons of direct-consumption sugar.

Let me turn now to the considerations we believe support our suggestions. As stated by the House Committee on Agriculture in its report, accompanying H.R. 12154, one of the major objectives of the Sugar Act of 1948 is to "permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and insuring a stable and adequate supply of sugar." We believe our proposals are consistent with these objectives.

(1) Nicaragua is nearby. In terms of geography it is a logical source of sugar for the United States. By sea it is accessible to the major ports of the United States; by land it is linked to U.S. shipping centers over the newly completed Inter-American Highway—a factor which could be of critical importance in times of international emergency.

(2) Among nearby foreign countries friendly to the United States, Nicaragua has few peers. I do not need to detail for members of this committee its long record of steadfast loyality to the United States in every international forum, including the United Nations and the Organization of American States. I would add only that Nicaragua's friendship for the United States is not now, and never has been, up for barter; it will continue undiminished, regardless of what sugar legislation emerges.

(3) As far as an opportunity to participate equitably in the U.S. sugar market is concerned, we ask the members of the committee to examine table 2 appearing on pare 15 of the House committee's report. That tables shows final basic quotas under the Sugar Act of 1948 for the first years of such act, each major extension thereof, and for recent years. The portion of the table dealing with the proportions for Peru, the Dominican Republic, Mexico, and Nicaragua, respectively, is reproduced here:

Proration of quotas for foreign countries other than Cuba and the Republic of the Philippines

[Short tons, raw value]

Area or country	1948	1953	1957	1960	1962, as of May 31 adjusted to annual rate
Peru	5,903.6	50,109	77,124	138,827	108,518
Dominican Republic	3,542.2	26.641	60,420	130,957	96,308
Mexico	3,204.1	11,046	43,134	115,809	80,108
Nicaragua	5,429.2	7,550	11,588	19,766	15,748

In 1948 Nicaragua's basic quota was second only to that of Peru and was greater than that of both Mexico and the Dominican Republic. By 1953, it had slipped to fourth place. In 1948, Nicaragua supplied over 30 percent of the sugar provided by these four countries; by 1960 it provided less than 5 percent.

The principal factor responsible for this development has been the arbitrary and unexplained limitation in the 1956 extension act of Nicaragua's participation in the post-1956 growth of U.S. sugar requirements. It shared in that growth to the extent of only one-half of 1 percent, while the participation of the other three countries ranged from 4.3 percent to over 5 percent. Nicaragua sugar producers were thus prevented during the intervening years from expanding their production consistent with their ability to do so, until they were called upon in 1960 to assist in filling the gap resulting from the Cuban political upheaval. A basic quota of at least 50,000 tons—roughly equivalent to Nicaragua's estimated 1962 exportable surplus—would contribute toward restoring it to a more equitable participation in the U.S. sugar market.

(4) The stated objective of the act of "expanding international trade" will be furthered by increasing Nicaragua's participation in the U.S. sugar market. During the past 10 years the balance of trade between the two countries has consistently favored the United States as can be seen from the table below, taken from U.S. Department of Commerce and International Monetary Fund sources:

Nicaragua-United States trade

[Thousands of dollars]

Year	Imports from the United States	Percent of total	Exports to the United States	Percent of total	Balance in favor of the United States
1952	28,330	71.34	27,149	52.89	−1,181
1953	28,297	64.97	24,840	45.57	−3,457
1954	37,915	65.03	28,608	45.57	−9,307
1955	45,402	65.19	30,249	37.80	−15,153
1956	43,161	62.72	25,167	38.67	−17,994
1957	47,070	58.17	27,830	39.08	−19,240
1958	42,804	54.92	26,151	36.79	−16,653
1959	34,767	52.01	19,216	26.62	−15,551
1960	37,746	52.63	26,872	42.74	−10,874
1961	[1] 26,900	----------	[1] 22,700	----------	[1] −4,200

[1] For the 10 month period ended Oct. 31, 1961.

From Nicaragua's standpoint, this trade balance has been drastically unfavorable and has created increasingly difficult balance-of-payments problems. Dollars earned by Nicaragua through the exportation of sugar to the United States are urgently needed, not only to enable Nicaragua to maintain and even increase its purchases of commodities and manufactured articles in the United States, but also to alleviate its balance-of-payments problems.

Before I close, I should like to give the committee a few facts concerning the distribution of the returns from the operations of the Nicaraguan sugar industry. Much has been said about enormous profits accruing to a very few wealthy persons who are said to control Latin American sugar production at the expense of the workers upon whom production depends. This simply is not true in the case of Nicaragua.

The sales which Nicaragua has been able to make into the United States during the past 2 crop-years have resulted in very material improvements in benefits to workers in the sugar industry, benefits which include a 25-percent increase in wages, provisions for housing and medical care, and various fringe benefits flowing from the new Labor Code—all in keeping with the Punta del Este Charter and the objectives of the Alliance for Progress. A further 15-percent increase in wages is to go into effect shortly under the provisions of the Labor Code. The sugar industry now gives a greater return to its workers than any other industry in Nicaragua. These benefits have been financed by the expenditure of 70 percent of the United States premium on sales of Cuban deficit shipments in those years.

In addition to direct workers' benefits, the Nicaraguan producers invested $1,200,000 in new machinery and irrigation equipment—all bought in the United States—to modernize its plant facilities, and $1,300,000 in maintenance and operation expenses. Without the continued ability to ship the requested amount to the United States, Nicaragua will be required to cutback its production and the program begun will suffer accordingly.

The costs of production come to an average total of just over 5 cents per pound. After costs of shipment and insurance, the profit to the producer is about one-half cent per pound. Not only are substantial benefits conferred on the workers, as I have just pointed out, but the return to the shareholders of Nicaragua Sugar Estates and the other producers does not exceed 6 percent on their invested capital.

We ask your earnest and favorable consideration of Nicaragua's views on the pending legislation and of the position which it seeks in the U.S. sugar program.

Mr. Chairman, at this point I should like to advert to some figures which I understand you put in the record a couple of days ago with respect to the size of holdings in the wages paid in Nicaragua.

Unfortunately, I do not know the exact figures which you gave——

Senator Douglas. Well, the figures which I gave indicated that Nicaragua Sugar Estates, Ltd., owned approximately 24 percent of the land and milled approximately 61 percent of the sugar.

Mr. Purcell. Well, as to that, sir, it may have been, as far as the acreage is concerned, around that figure prior to the past year.

At present there are 40,000 acres of land-planted cane in Nicaragua, of which Nicaragua Sugar Estates owns about 6,000 acres, which is about 15 percent.

Senator Douglas. Well, the increase in acreage, as I understand it, between 1961 and 1962 is approximately 17,000 acres.

Mr. Purcell. I do not know that exact figure, but I——

Senator Douglas. So the figure which I gave may have been correct in 1960, but overstates your percentage now in 1962.

Mr. Purcell. Well, that is not entirely due to the increase in the number of acres.

The new social and economic reform laws which are under consideration in Nicaragua include land reform laws, which will require limits of individual holdings of land and some of the land previously owned by Nicaragua Sugar Estates, they have sold in anticipation of these legislative limitations.

Senator Douglas. I see. Now, are the figures correct on milling?

Mr. Purcell. It is about 55 to 60 percent; yes, sir.

Senator DOUGLAS. Now, I also gave figures that the Somoza family owned approximately 14 percent of the land and milled approximately 27 percent of the sugar.

Is that correct?

Mr. PURCELL. As to milling, I am unable to confirm that. My people inform me that they think the statement as to 14 or 15 percent of the acreage is probably just about correct.

It is about the same number of acres as is now owned by the Nicaragua Sugar Estates.

Senator DOUGLAS. I am not able to pronounce all of these Spanish names.

There is an El Polvon group which are listed as owning 5 percent of the acreage, and it does not appear among the millers of sugar.

Is that correct?

Mr. PURCELL. I do not know of that name, sir. There are a considerable number of owners who do not do their own milling.

That is why Nicaragua Sugar Estates' milling figure is as much out of proportion to their acreage holdings, because they grind cane for independent owners.

Senator DOUGLAS. Well—pardon me. Had you finished?

Mr. PURCELL. Yes, sir.

Senator DOUGLAS. There is another firm, Lacayo Montealegre——

Mr. PURCELL. That "Montelegre"—I am familiar with that name.

Senator DOUGLAS. My figures indicate that they own 3 percent of the land and mill 8 percent of the sugar.

Mr. PURCELL. Your figures probably are correct, Senator. I do not know.

Now, as to wages, as I have already indicated in my statement, they have been increased in the past 2 years. Farm wages now average a little over $2 a day. They range from $1.70 to $2.60 a day; while factory and mill and office wages range from $2.30 a day to $7.10 a day.

With respect to payments to individual farmers—independent cane farmers own just slightly over 50 percent of the acreage. A great deal of their cane is purchased and milled by Nicaragua Sugar Estates—in fact, about 52 percent of their mill output is purchased from these independent farmers.

That is purchased on the basis of a return to the farmer of about 60 percent of the gross price realized on the sale of the sugar.

Of course, the price will depend——

Senator DOUGLAS. Is that a sliding scale?

Mr. PURCELL. It will depend on how much the sugar is sold for and in what market.

Incidentally, the sugar purchased from the farmers, I believe I am correct in saying, is sugar which is first devoted to the export market. With respect to the wages I have mentioned, I should say that those wages do not include housing and school provisions and hospital and medical care and paid vacations and other fringe benefits provided under the Labor Code.

Senator DOUGLAS. Mr. Purcell, do I understand that in 1961 your permanent quota was 15,748 tons for Nicaragua?

Mr. PURCELL. I think that is 1962 annualized, yes.

Senator DOUGLAS. Oh, I see. But is it true that about 6,000 of this was unfilled?

Mr. PURCELL. That may be, sir. There is some sugar on the high seas at the present time.

Senator DOUGLAS. The temporary quota was 25,897?

Mr. PURCELL. From the Cuban cutback?

Senator DOUGLAS. Yes.

Mr. PURCELL. Yes, sir.

Senator DOUGLAS. But 5,239——

Mr. PURCELL. Just a moment, sir. I think I am getting mixed up a little bit here.

You are talking about 1961?

Senator DOUGLAS. Yes.

Mr. PURCELL. And that is what we should talk about.

Senator DOUGLAS. Yes.

Mr. PURCELL. There was a shortfall in 1961 of about 6,000 tons, owing to an extraordinary storm damage which occurred and which caused a great deal of flooding which damaged the crop in the 1961 year.

Senator DOUGLAS. So that you actually shipped to this country about 30,000 tons?

Mr. PURCELL. In 1961; that is correct.

Senator DOUGLAS. And the quota, under the House bill, is 30,000 permanent and no temporary?

Mr. PURCELL. That is correct, sir.

Senator DOUGLAS. In other words, it continues the actual shipments of 1961, but your contention is that this failure to fill the higher quotas for 1961 was due to the storm and you should not be permanently penalized for the storm?

Mr. PURCELL. Yes, sir. In other words—let me give you another figure. The anticipated or estimated 1962 production was—this is exportable surplus—between 47,500 and 50,000 tons.

Now, I have just been informed there is a million tons of cane planted at the present time against the next season's cutting and grinding, and their usual yield is approximately 10 percent.

That is around 200 pounds of sugar to the ton of cane, which, of course, would bring the—this would be overall—bring it around to a figure of probably 100,000 tons, and the local consumption rate is about 40,000, or slightly over.

Senator DOUGLAS. Do you export to other countries?

Mr. PURCELL. We have not in about 3 years, not since the Cuban——

Senator DOUGLAS. When you did export, did you sell at the world price?

Mr. PURCELL. About 5,000 tons were sold in 2 years at the world price, which in both of those years caused a slight loss to the company.

Senator DOUGLAS. Would you tell us something about the Nicaragua Sugar Estates which you represent?

Mr. PURCELL. It is a corporation, organized under the laws of Nicaragua.

It is publicly held by something over 200 shareholders. It engages in the sugar growing and milling business and, to a certain extent, in other allied fields.

Just what they are I do not know, but I believe they are minor.

Senator DOUGLAS. Do American interests own any shares in the Nicaragua Sugar Estates?

Mr. PURCELL. Yes; I believe approximately a 25-percent interest.

Senator DOUGLAS. That is my information. And will you identify the American interests?

Mr. PURCELL. I beg your pardon?

Senator DOUGLAS. Would you identify the American interests?

Mr. PURCELL. I am afraid I cannot, sir.

You mean who the individual stockholders are?

Senator DOUGLAS. Yes.

Mr. PURCELL. I do not know.

Senator DOUGLAS. You do not have any idea?

Mr. PURCELL. No, sir; I do not.

Senator DOUGLAS. Mr. Purcell, you have heard these questions. Would you state your fee?

Mr. PURCELL. We are employed by Nicaragua Sugar Estates as attorneys. Our arrangement with them has been, since October of 1960, on a basic retainer basis of $1,250 per 3 months, per quarter——

Senator DOUGLAS. $5,000 a year?

Mr. PURCELL. At that rate; yes, sir.

Senator DOUGLAS. Any allowance for expenses?

Mr. PURCELL. We are paid out-of-pocket expenses.

Senator DOUGLAS. No allowance for entertainment?

Mr. PURCELL. No, sir.

Senator DOUGLAS. Is there a contingent proposition or provision?

Mr. PURCELL. There is no contingent provision with respect to the amount of quota, or anything of that sort.

I should explain that the basic quota—I am sorry—the basic retainer is applied to work done, and to the extent that the work done exceeds that amount and justifies a higher billing, it is understood that that will be done.

Senator DOUGLAS. But if the quota increases you do not get an increase?

Mr. PURCELL. No, sir.

Senator DOUGLAS. Do you have anything, Senator McCarthy?

Senator MCCARTHY. I note in your testimony your concern over the fact that, based upon the share of the American sugar market which should be given to Nicaragua—that was determined in the change in the 1956 act; was it not?

Mr. PURCELL. Yes, in the 1956 act, as I have said, while Nicaragua still maintained a respectable position among those four traditional suppliers, it received a very small incremental participation in growth of the U.S. sugar requirements with the result that they fell very well behind.

The country has a very good capacity for expanding its production but it, of course, did not do so, knowing that there was no assured market for the sale of this sugar.

At the time that the Cuban problem arose they did increase. They had a small surplus on hand at the time, and then they did increase their acreage and facilities, but very conservatively, so that they would not run into the real problem of having to cut well back once they were no longer assured of the large allocations of the Cuban deficit.

As a matter of fact, under the act as amended in 1960 and 1961 the theoretical participation of Nicaragua in the Cuban cutback would have been three times as much, if not more, than what was actually assigned to them on the basis of ability to produce.

Senator McCarthy. In the views of the traditional allocation or if they had made the assignment on the ability to produce——

Mr. Purcell. If the assignment had been made on the basis of the arithmetical allotments provided for use by Department of Agriculture under the act, as amended, then the excess allocation of the Cuban cutback, plus the basic quota, would have come to about 150,000 tons. But, of course, they could not produce and supply that much sugar.

So that the largest allotment that has been made in the 3 years was about 50,000 tons, including basic quota.

Senator McCarthy. Was it in the 1956 act that the percentage method was discarded and they went to a fixed-tonnage allocation and began then from that point on having the problem of the question of assigning quotas every time the act came up?

Was that in 1956?

Mr. Purcell. Well, I am not sure, Senator, but I think it may have been in 1953, the old 1.36——

Senator McCarthy. Yes.

Mr. Purcell. Percentage allocation? It was before 1956.

Senator McCarthy. It was before 1956.

Mr. Purcell. But in 1956 the 4-percent participation for full-duty countries was applied and then the growth participation——

Senator McCarthy. Was changed?

Mr. Purcell. Was changed, yes.

Senator McCarthy. Is it your opinion now that the earlier practice of more or less allocating it on a percentage basis established or made for more stability in the whole sugar supplying operations of Central America than the more recent practice of reassigning quotas every time the act comes up for renewal?

Mr. Purcell. Well, of course, in the cane-growing countries, Senator, if they know how much they are going to be called upon to deliver over a period of 5 years or 4 years they are much better off because, as I think has been testified to here before, when you plant a crop of cane you have got a yearly crop for 4 or 5 years to come, and you can plan ahead with greater certainty.

Whether that can be done on a percentage basis as well as on a flat quota basis, I do not know.

Senator McCarthy. It might be better if we treated this whole thing primarily as an economic problem rather than try to make the Sugar Act the principal instrument of foreign policy in Latin America?

Mr. Purcell. Well, I have no very fixed notions on that score but, offhand, I would think so.

Senator McCarthy. Thank you.

Senator Douglas. Thank you very much.

Mr. Purcell. Thank you.

Senator Douglas. I note that because Mr. Debevoise was to have been the last witness last night, that I started with him first this morning and, therefore, neglected to call two witnesses whose names appear before him in the normal roster, and I apologize for this.

And I would like to ask Mr. Ernest Schein, representing the Republic of Colombia, to come up.

STATEMENT OF ERNEST SCHEIN, ON BEHALF OF THE REPUBLIC OF COLOMBIA

Mr. SCHEIN. Thank you.

Mr. Chairman and members of the committee, my name is Ernest Schein. I am a practicing attorney at law with offices in Washington, D.C., and Chicago. I am here in behalf of Distribuidora de Azucares, S.A., Azucareros Independientes Ltda., Compania Azucarera del Valle, S.A., of Colombia, the three companies which integrate the producers' associations and represent 99.6 percent of the Colombian sugar industry and which are therefore intensely interested in any revisions of the sugar laws of the United States emerging from these hearings.

Colombia is a newcomer among those foreign suppliers who are seeking a permanent quota in the sugar importations of the United States. It participated in the U.S. preferential sugar market when the termination of Cuban imports made it necessary for the United States to obtain a large supply of sugar from other producing areas.

In 1961 it shipped to the United States 46,000 tons. In the first half of 1962 it added to this amount 25,000 tons. Moreover, it has engaged in direct barter for U.S. wheat with 5,000 tons of sugar.

Colombia is a considerable producer of sugar and respectfully submits the following statistics to support its petition for a recognized though modest place in the U.S. sugar quota, import, and price structure.

1. The sugar industry of Colombia is centered in the Cauca Valley of which the city of Cali is the center. Here some 760,000 acres are devoted to the cultivation of sugarcane. Of these about 160,000 acres supply the sugar mills. The remainder form a source of noncentrifugal sugar which is consumed promptly as an essential part of the local diet.

2. After domestic needs are serviced there will be an exportable sugar stock of about 100,000 tons annually.

3. Colombia has exceptionally advantageous port facilities guaranteeing the regular delivery of exported sugar. Buenaventura is located within a short distance of the production center and its capacity at the docks for sugar is 750 tons per day. The ports of Santa Marta, Barranquilla, and Cartagena are also usable in case of necessity. The average time for arrival in North American ports is only 7 days.

4. About 70,000 people are employed in the Colombian sugar industry. Since the average worker's family is composed of no fewer than six members, approximately 400,000 persons are dependent upon sugar for their livelihood.

5. Sugar production and milling in Colombia are not seasonal; they continue throughout the year so that wages are not limited to 3 or 4 or 5 months as in many sugar producing areas in the world.

6. In the period from 1955 to 1960 the wages of workers increased substantially while the selling price of sugar remained stable.

7. Wages represent 50 percent of the selling value of the sugar at the mill and 67.9 percent of the cost of production.

8. Many holdings of sugar planters are small and there is no tendency to concentrate the advantage derived from a considerable export volume in the hands of a few.

9. There are 17 mills each grinding less than 1,000 tons of sugar a day and only 4 mills with a greater daily output. The latter account

for 36 percent of the milled production but the small mills account for 64 percent. Moreover, 50 percent of Colombian sugar derives from small farms of 350 acres or less and 50 percent from larger units which are owned by the mills. The tendency is for new production to originate in smaller holdings.

10. Money flowing into Colombia from the United States is used to purchase capital goods and other merchandise here. Agricultural agreements between Colombia and the United States under Public Law 480 will result in the purchase of more than $75 million worth of wheat, flour, cotton, milk, vegetable oil, tobacco, and other items produced in the United States. The policy of Colombia is to continue and augment its agreements with our country for the purchase of agricultural surpluses which will result in the growth of profitable commercial relations between the two countries.

Colombia alines itself with those who have frankly expressed their concern over any plan to abandon the quota and premium price devices in favor of so-called global quotas and competitive world market prices. Colombia has had experience in the so-called world sugar market and states with conviction that it will be a much more dependable and secure source of sugar supplies and stable prices for the United States if it has a secure position in the U.S. import system at U.S. domestic prices without recapture in full or in part of any premiums above the so-called world market.

The sugar industry of Colombia respects the sovereignty of the United States and does not presume to influence its foreign or domestic policy with respect to sugar. Nevertheless, Colombia quite openly has taken the position that a generous portion of the total supplies of sugar formerly imported from Cuba should be allotted to other Latin American countries which have manifested their friendliness to the United States. Of these countries Colombia, we submit, is in a leading position.

We are very gratified to find in the Sugar Act Amendments of 1962 passed by the House of Representatives that Colmbia is allotted a fixed quota of 1.23 percent of the United States annual estimated consumption of sugar after deducting the portions reserved for domestic cane and beet producers, the Philippines and certain minor contingencies. We do not wish in any respect to appear less than grateful for this consideration.

However, we would not be completely frank if we did not express our surprise and disappointment at being excluded under the terms of the Sugar Act Amendments of 1962 as enacted by the House of Representatives from the allocations to certain foreign countries of a portion of sugar supplies to be imported while Cuba is not in friendly diplomatic relations with the United States.

We observe that such Latin American countries as Peru, the Dominican Republic, Mexico, and Brazil and that other foreign areas like Australia, the Republic of China, India, South Africa and Mauritius are included in this category. We must conclude that we were inadvertently left out and so we respectfully ask that we be reinstated within this list for the period ending December 31, 1962, and for the calendar year 1963 as well as subsequent periods when similar added imports may be required.

I do not wish to take any more of your time and I assure you of the gratitude of my principals and myself for the opportunity to appear before you.

Senator DOUGLAS. Thank you, Mr. Schein, and you are a very esteemed citizen of my city.

I am sorry, through inadvertence, I delayed your appearance on your stand.

You received no permanent quota under the 1961 act?

Mr. SCHEIN. No, this is a new position.

Senator DOUGLAS. But a 46,000 temporary quota?

Mr. SCHEIN. Well, it is 71,000 in a cash sugar market, and 5,000 tons in trade.

Senator DOUGLAS. My figures may be wrong on that. That was last year?

Mr. SCHEIN. Last year; up to the present time that is all. That is total.

This is all we have ever had.

Senator DOUGLAS. You are getting 35,000 permanent but no temporary at present.

You want to have this increased?

Mr. SCHEIN. The quota that has been given to us?

Senator DOUGLAS. Yes.

Mr. SCHEIN. No; I think the quota that is given in the House enactment is fine, but I think that we should be included in the temporary allotments where Australia and Mauritius, and others appear, and we are very close by, and would be happy with 1 percent taken from each of these foreign—and by "foreign" I mean not Western Hemisphere—suppliers.

Senator DOUGLAS. Of course, they are all anxious to increase theirs.

Mr. SCHEIN. They have big political considerations and we just have a simple problem.

Senator DOUGLAS. Where did Colombia used to sell its sugar?

Mr. SCHEIN. I did not hear that.

Senator DOUGLAS. Where did Colombia used to sell its sugar?

Mr. SCHEIN. Well, it used a high percentage of it, as it proposed to do in the future, right in Colombia, and it got in on the International Sugar Agreement to the tune of 5,000 tons.

And that, plus a few thousand more, went into the world area.

Senator DOUGLAS. And at what price did you sell in the world area?

Mr. SCHEIN. I am not an expert in the price picture, and I am not an economist, but I assume that they sold at world prices.

Senator DOUGLAS. You now ask that we pay double the world price?

Mr. SCHEIN. Well, as I say, I am not a statesman, obviously. I am not an economist. I am a lawyer——

Senator DOUGLAS. Well, most people who allege to be statesmen are not statesmen——

Mr. SCHEIN. I am advocating a position for Colombia, a friendly South American country, in whatever legal sugar picture takes place in this country.

Senator MCCARTHY. I think what we need to deal with in this act is a juggler.

Mr. SCHEIN. Well, I am not a juggler, either.

Senator MCCARTHY. You are not a juggler, either? All right.

Mr. SCHEIN. I confine myself to the practice of law, and I presented, as best I could, as an advocate, the position of Colombia in any legal position which may generally be adopted in this country, I hope that Colombia will be favorably considered because of the items, one by one, which I have submitted in Colombia's behalf.

I do not represent the country of Colombia. I represent some highly respected private parties, and that is the kind of representation I have had for 40 years.

Senator DOUGLAS. These big companies mill virtually all of the sugar in Colombia?

Mr. SCHEIN. That is right.

These are actual leaders. There is only one other mill not represented by my group, which is a little removed from Cali in the Cauca Valley, which actually gets all of the same benefits of what the three associations would procure.

Senator MCCARTHY. Will the Senator yield to me?

Senator DOUGLAS. Yes, sir.

Senator MCCARTHY. I am sure you studied the allocations, Mr. Schein.

Do you see any patterns in the way in which the temporary quotas have been ass gned or any reason for it?

Mr. SCHEIN. You mean the Cuban withholding?

Senator MCCARTHY. Yes.

Mr. SCHEIN. I cannot make them out.

Senator MCCARTHY. You cannot make them out?

Mr. SCHEIN. No.

Senator MCCARTHY. Well, I hoped that you might help. If you cannot make them out I will have to study them myself.

I have no further questions.

Senator DOUGLAS. Mr. Schein, we ask this question of everyone. Will you state for the record your fees in connection with the three companies?

Mr. SCHEIN. Yes; I received a retainer of $15,000.

Senator DOUGLAS. A year?

Mr. SCHEIN. Well, I only have a year's arrangement, until the end of fiscal 1963. At June 30 of 1963 my employment stops.

I have some further compensation——

Senator DOUGLAS. Do you have a contingent——

Mr. SCHEIN. Yes. These have recently been arranged, before the adoption of the House acts, however, whereby I keep on working, but get no additional compensation if Colombia gets no quota.

There will still be an area of negotiation, I hope, under which during the temporary requirements are studied; I would work thereon the basis of my retainer.

If Colombia is included in a regular quota area then I get contingencies based on the amount of sugar which my producers would be allowed in this country.

Senator DOUGLAS. Well, may I ask what is this contingency?

Mr. SCHEIN. Yes; I will give it to you next.

Beyond 10,000 tons regular quota, I would receive 50 cents a ton up to 30,000 tons and 25 cents a ton above the amount of 30,000 tons.

Senator DOUGLAS. So that on 35,000 tons you would receive a fee——

Mr. SCHEIN. Of $12,500 in addition to my retainer.

Senator DOUGLAS. And the retainer is?

Mr. SCHEIN. $15,000.

Senator DOUGLAS. Now, if the quota should be raised to 50,000 what would your contingency be?

Mr. SCHEIN. Now, your arithmetic is better than mine.

Senator DOUGLAS. Well, you are more intimately concerned with this than I.

Mr. SCHEIN. It would be more than that. It would be more. But I am not going to mention the figures spontaneously.

Senator DOUGLAS. Have you not thought about this?

Mr. SCHEIN. No; I have not, really.

Senator DOUGLAS. What was it again, in excess of 25,000?

Mr. SCHEIN. In excess of 10,000, up to 30, 50 cents a ton.

Senator DOUGLAS. Oh, that would only be 10,000 more and then beyond 30,000?

Mr. SCHEIN. 25 cents.

Senator DOUGLAS. 25 cents.

Senator MCCARTHY. It is a variation between permanent and temporary?

Mr. SCHEIN. No variation, but the requirement is there that Colombia must have a secure statutory position before it will consider paying me any more money.

Senator MCCARTHY. I think we should observe, Senator Douglas, that there is no indication of price fixing among the lawyers who have been working on this bill.

Mr. SCHEIN. No; we have no combination in restraint of trade.

Senator DOUGLAS. A rollcall has just been called and we will recess for the rollcall.

Mr. Mahoney and Mr. Bronze will remain to testify, because we want to get this through today, and we will reconvene immediately after rollcall, in about 15 minutes.

(At this point a short recess was taken.)

Senator DOUGLAS. The committee will come to order.

Mr. John Mahoney, representing the South African Sugar industry. We are glad to see you, Mr. Mahoney.

STATEMENT OF JOHN MAHONEY, SOUTH AFRICAN SUGAR ASSOCIATION

Mr. MAHONEY. We are very glad to be with you, Senator Douglas, and particularly to be able to sit through the last couple of days and get some idea of the amount of work that you gentlemen put in committee. I think oftentimes that is lost on us, we don't realize, when we don't see you down on the floor or at least here, what you are really doing, where the times goes.

I am going to reverse things a little bit, Senator Douglas, if I may. I will start with, my name is John R. Mahoney, that I am a member of the firm of Casey, Lane & Mittendorf, of 26 Broadway in New York, and my firm is counsel for the South African Sugar Association, which is a group of private growers, millers, and refiners on whose behalf I appear today.

I stress the word "private" because we are not counsel for the South African Government as such.

I would like to explain our relationship with our client now, rather than waiting for your questions at the end. I do this for several reasons, and for a purpose which will become clear to you.

A year ago, approximately, my partner, Mr. Casey, the main partner, James Casey, when he was in Europe, and in Africa—he knows a good deal because we represent some mining interests that are in

South Africa and also in the United States—at that time he cabled me and said in effect, "Get a workup on the whole business of sugar."

We had not been in the sugar field. We are a New York firm that works generally in admiralty and in the administrative law. I personally do a great deal of administrative law before the Interstate Commission and the Maritime Administration and do more in shipping than anything else.

In any event, he indicated that he had reached agreement with the South African Sugar Association. That was, I believe, in early June. The terms of the agreement were that Casey, Lane & Mittendorf were to be paid our time charges. This would be based on the time expended either by the partners or the associates, and that would be at rates ranging from $12½ up to $50 per hour depending upon who the person was who works on it. We were to be reimbursed for our disbursements and those would include travel, cable charges, printing, photostating, and xeroxing, which we have found a particularly useful machine and we charge——

Senator Douglas. Nothing for entertainment?

Mr. Mahoney. No entertainment, Senator Douglas.

There was absolutely no element of contingency involved in this and there was no—another thing, we did not get a retainer as such. Most of the time we don't. Although we do work with some clients on a retainer basis, in this instance the fact is we have not actually billed, and, therefore, it is a res ipsa case, we haven't collected any money.

The money—my understanding of our relationship was that we were to represent SASA, that is the South African Sugar Association in their, any of their commercial relationships in the United States, and I gathered in Canada, also; and, incidentally, we were also to assist them if at any time there was a possibility of their getting access to the American market.

Now, the only work beside doing this background work which we did last year, to get ourselves familiar with the whole sugar situation the only work that we have done was done, I think, in March or April this year, I allude to that in my statement later, and in that case there was an arrangement under which South African sugar would be traded for American wheat. That was, I think, done in March or April, I can get the exact date, but at any rate that hasn't been billed, I haven't looked at what we call the blue slips—we keep time records every day—I have not looked at it as to what they are and one of the reasons I wouldn't normally bill it is that it would be in the province of my partner, Mr. Casey, whose responsibility it is to do the billing. So at this moment I can't tell you how much they owe us for this, but I would hazard the roughest kind of a guess at three or four or five thousand dollars. But I will furnish that figure for you.

(The following information was subsequently supplied:)

The present status of the billing, as at April 30, 1962, is $4,840.

Senator Douglas. I hope in your future billing you will include the standby time that we, or the sit-by time, we kept you waiting here.

Mr. Mahoney. That, actually, they will be billed on a portal to portal for this business even though a lot of it contributed to my education.

Senator DOUGLAS. From doorway to doorway?

Mr. MAHONEY. Exactly.

Senator DOUGLAS. Or, rather, from the time of leaving your office to the time of return to your office.

Mr. MAHONEY. Well, no. Actually, the way we work it, we count 7½ hours we think of that as a normal business day, lawyer's day, and, for instance, I would put in for yesterday and today and the day before, all day, meaning 7½ hours, that would be the way I would bill it actually, and any of our people would do that unless you are working on a brief, when, as you know, you go to 10 or midnight and you charge them for that.

Senator DOUGLAS. You don't ask time and a half for overtime

Mr. MAHONEY. I wish we did.

Senator DOUGLAS. It is straight time overtime?

Mr. MAHONEY. That is correct.

Senator DOUGLAS. By the way, do you have a 5-day week or 6-day week?

Mr. MAHONEY. Five-day week, as I discovered this morning when I tried to get my office to get these facts.

Senator DOUGLAS. Very interesting. I have always been interested in these relationships with lawyers and clients. This is a very valuable bit of testimony.

Mr. MAHONEY. In any event, Senator, the fact that Mr. Casey is away in Europe is a source of a little bit of embarrassment to me.

I filed the lobbying statements. I was going to report just myself as such, but I filed for the firm as I felt that was the proper thing. And then I have attempted to file, I had the raw documents, with the Department of Justice, the exhibits and the basic forms, but it appears that they want a complete—well, there are two things missing, one is Mr. Casey's exhibit. I have mine done and also Mr. Orlin, our associate, who has worked on this has his, Mr. Casey's is missing.

We are going to get something in, and I will undertake to see that our filing will be done by next Monday, but I wanted you to know that.

Senator DOUGLAS. I appreciate that. It is a very frank statement, Mr. Mahoney, and I want to congratulate you.

Mr. MAHONEY. Now, our clients urge your committee to give the most serious consideration to H.R. 12154 which passed the House of Representatives on Monday. In that bill, the South African producers have been granted an opportunity to sell some sugar in the U.S. market.

Today we respectfully request that you report favorably on H.R. 12154 in a way which would give the South African Sugar Association a quota in the U.S. market as provided for by section 202(c)(3)(A).

Now the quota in that section, I think, would represent a 20,000-ton quota.

The South African Sugar Association is very well aware that in connection with the temporary replacement of Cuban or other sugar in the U.S. market that such authorization, that is for this temporary quota, in this instance of 100,000 tons, would not constitute any permanent claim on any future legislation in the event that a friendly regime should be returned to Cuba and that country should again take its place as a major supplier of the U.S. market.

On that point—I might say first that South Africa has taken no steps to beef up its production as the result of this Cuban fiasco. Either at this point or perhaps subsequently, when you obviously will want to ask me some questions, I have one suggestion that might meet the very real problems that Senator Fulbright and Senator Morton, and yourself and, I think, some of the other members of the committee have talked of and have been so concerned about in the colloquy and in the discussion with the witnesses, and that is the fear or the feeling that any country that gets access to the American market as the result of the present Castro government, will receive or get a vested interest, and will get some kind of a built-in position.

I suggest to you in that connection, Senator Douglas, and Senator McCarthy, that there may be a way to meet this. I am drawing now on what little experience I have had in my relationship with Congress in connection with transportation problems, both domestic and international.

If Congress wants to make a specific provision to make it abundantly clear that any allocation or any quota or anything of that sort is on a temporary basis and that it means temporary, there is one way that was suggested by you, Senator Douglas, and that is either to include it in the report or see to it that the debate on the floor reflects the concern of Congress. But it seems to me the safest way to do it is the way that it has been done in connection with parts 1, 2, and 3, I think, of the Interstate Commerce Act.

There you are dealing, of course, with access to the transportation market, and you are working through the device of the certificate of convenience and necessity, to be sure. In that instance, though, Congress recognized that there were certain cases where there might be an emergency situation, and where the suppliers or the big shippers might want to cut across this quota system, if you want to call it that, the certification system, and they did that by what they called a temporary authority, so that on the one hand, a particular carrier, common or contract carrier, might after fighting very hard get a permanent authority to operate between States A and B, or New York and Washington, but if the need arose on a temporary basis, the carrier could get a so-called temporary authority and write in the legislation, right in the section it states that—I am trying to quote now—such temporary authority shall create no presumption that corresponding permanent authority will be granted thereafter and shall not be construed as giving any right at all or a leg up on permanent authority. I just throw that out to you as a possible way at getting at this when you get to the very difficult job of how you are going to try to fill the void without creating these vested interests.

Now, returning to the statement: South Africa's firm support of the United States in the fight against world communism is so well known that it hardly need be mentioned. It has given repeated evidence of its traditional friendship with the United States by voting solidly with this country against the Red bloc in the United Nations. South Africa does not even maintain diplomatic relations with the Soviet Union or with Red China, and is not represented in Cuba. In World Wars I and II South African troops marched alongside of American GI's. A South African flying squadron also worked with the American Air Force in the Korean war. During the cold war, South Africa has cooperated fully with U.S. defense efforts, and tangible

evidence of this cooperation is the U.S. missile tracking station on South African territory.

South Africa has also offered wholehearted support to the United States in its successful burgeoning efforts to acquire space. As you gentlemen undoubtedly know—I didn't before I got into this—the United States has built a very large space vehicle tracking station near Johannesburg, which is manned and maintained by South African scientists and technologists on behalf of NASA. This station is a vital link in the chain of stations supporting the American space efforts. A point that is perhaps not without some interest is that a great many of the services involved, including the provision of the land on which the station is located, are furnished without charge by the South African Government.

South Africa is proud to say that, although it is a relatively small nation, it has never called on the United States for economic aid. Moreover, private American investment in South Africa, exceeding $600 million, has always been safe from arbitrary expropriation.

We believe that all these facts redound to South Africa's credit and should be considered by the U.S. Senate as it approaches the delicate job of determining what form the sugar supply to the United States should take.

South Africa has been an independent nation for over 50 years and is no longer a member of the British Commonwealth. In some respects it has an early history that is similar to that of the United States. However, while American colonists, in some instances, had to wrest the land from the Indians, most of the virgin soil settled by the original immigrants from Europe to South Africa was virtually uninhabited. In more recent times it has been the economic prosperity engendered by descendants of the early Dutch and English settlers that has brought the vast influx of non-Europeans from many other areas into the modern South African economy. South Africa's vital concern for the economic well-being of its peoples is best demonstrated by the fact that the nonwhites enjoy by far the highest income of any native race on the entire continent of Africa. We understand, for example, that South African Bantu own proportionately more automobiles than all the peoples of Russia today.

The South African sugar industry is one of the largest employers of native labor. Almost 80,000 workers are employed during the peak season from May to December. The sugar is grown mainly on small farms. These farms are operated by 5,000 persons of non-European extraction and about 1,500 persons of European extraction. Naturally, the economic advantage derived from foreign sales of sugar redound to the benefit of the nonwhite workers.

It has been estimated that the South African 1962–63 crop, if unrestricted, would produce about 1,380,000 short tons of sugar. If restricted, as it will be, or would be, it would be slightly more than a million tons.

Local consumption normally would take about 760,000 tons of this, which would result in an exportable surplus of 620,000 tons, if you use the unrestricted figure of 1.3 million, or about 300,000 tons, if it is restricted.

About 400,000 tons unrestricted, or 300,000 to 200,000 tons if restricted, could be shipped to the United States before the end of 1962

if the demand is there, or if it is needed. South Africa has plenty of sugar which can reach the United States within 1 month's transit time.

I understand, parenthetically, that sailing time, particularly on these new ships that the Maritime Administration has authorized for South African Marine and Farrell Lines, particularly, that is the subsidized carrier, runs to about 19 days on the run from Capetown. This is less than the sailing time of some of the U.S. suppliers.

However, because of the tremendous surplus of sugar in the world market, production in South Africa will have to be cut back almost 25 percent this year. This will cause thousands of natives to lose their jobs. These workers could be reemployed if South African sugar could be sold in the U.S. market.

Although South Africa is one of the major non-Communist sugar-producing countries, the proportion of production actually exported is relatively low, approximately 20 percent, due to the large domestic consumption there. Based on the data set out on page 10 of the House of Representatives Report No. 1829, accompanying H.R. 12154, the per capita consumption of sugar in South Africa during the 1959–61 period averaged about 97 pounds per annum which comes very close indeed to the U.S. figure of about 103 pounds per annum. All sectors of the population, which is only 15 million, must necessarily share in this consumption for it, meaning the pounds per annum, to be as high as it is. Therefore, oversea outlets must be found, or the industry upon whom so many people of all races depend for their livelihood, will have to face further cutbacks, to the detriment of all.

Like most of the sugar-producing nations of the world, in order to maintain its domestic industry, South Africa permits sugar to be sold in its local market at a price somewhat higher than that in the depressed world market.

If the United States needs additional sugar the South African Sugar Association will do all in its power to supply whatever it has available, in any circumstances within reason. It is anxious to sell where the best price prevails, that is why it is wishing to sell, frankly, in the U.S. market.

The United States has always enjoyed a favorable trade balance with South Africa. In recent years, even with the United States buying large quantities of strategic materials from South Africa, the differential in favor of the United States has exceeded $100 million annually. In the period before the importation of strategic materials, the balance of trade with South Africa was even more favorable to the United States. Incidentally, this includes between 70,000 and 75,000 bales of U.S. cotton per annum. Also, earlier this year, South Africa offered to take 72,800 short tons of U.S. wheat in return for the opportunity to supply the U.S. market with 30,000 short tons of sugar. This transaction meant for trade purposes that almost $5 million of U.S. wheat was being exchanged, would have been exchanged for about $3 million of South African sugar. The offer was not accepted, and again, parenthetically, Senator Douglas, it was in that connection that the services were performed by my firm, not by me as it happens, but one of the associates and one of my partners.

Also, I would say that the allusion to the 70,000 to 75,000 bales of U.S. cotton, I suppose would be lost in Illinois or the Northwest, at least there isn't any cotton being grown up there that I know about. Is there?

Senator DOUGLAS. We try to take a national point of view.

Mr. MAHONEY. Yes, sir.

In conclusion, the South African Sugar Association respectfully requests this committee to give the same favorable consideration to South African sugar in its access to the U.S. market which is provided for in H.R. 12154. In return, the South African Sugar Association will use its good offices to attempt to bring about an increase in the importation of U.S. commodities and products to the end that the United States will continue to maintain a favorable trade balance with South Africa.

We submit our case to your enlightened judgment, and thank you very much for the opportunity given us to state our position, sir.

Senator DOUGLAS. Thank you, Mr. Mahoney.

We regret we kept you waiting for so long.

What price does South Africa sell its own sugar in the domestic market?

Mr. MAHONEY. In its domestic market? Let me see, I didn't anticipate that question.

It is over 6 cents, subject to correction. It is 6.4 cents, 6.44.

Senator DOUGLAS. Is that retail?

Mr. MAHONEY. Yes. I have this, which is based on a—I have—this was supplied to me, sir, and it may be subject to some infirmity, but I give it to you. I have the figure 6.44 cents.

Senator DOUGLAS. Is that a retail price or wholesale?

Mr. MAHONEY. Retail price.

Senator DOUGLAS. Retail?

Mr. MAHONEY. Yes, sir.

Senator DOUGLAS. That is about the American price.

Mr. MAHONEY. Yes, this was taken from the U.N. statistics annual.

I might say, too, sir, that I am laboring a little bit under the difficulty, there is a Mr. Clutterbuck, who is the secretary of the association who was to have been on hand and who probably would have the knowledge in depth that was displayed by the Australian earlier, and who I could have called on. I wasn't able to do that, and I have had to get some of this material from secondary sources.

But subject, if there is any possibility, if I need to correct it, I hope I can make that correction.

Senator DOUGLAS. Surely. Of course I would like to point out that the 20,000 permanent quota plus the 100,000 temporary quota, or a total of 120,000 tons, at a subsidy of $56 a ton above the world price comes to an annual subsidy or premium of $6,720,000 a year, or a total for the 5 years of $33,600,000.

Mr. MAHONEY. I would say that was certainly a very respectable figure, Senator Douglas. I would like to hope, too, that while that is the case, that—what was your figure, the final figure?

Senator DOUGLAS. $6,720,000 a year.

Mr. MAHONEY. That is right.

Senator DOUGLAS. Or $33,600,000 for 5 years.

Mr. MAHONEY. That is right. During that same 5 years, that $33 million does loom quite large, and yet during the same 5 years if things keep going as they are that would help a little bit, at least, to redress that, what would amount to $500 million, almost a half billion dollars trade balance differential during the same time in favor of the United States.

Senator DOUGLAS. Senator McCarthy?

Senator MCCARTHY. Does South Africa sell any sugar in the Commonwealth market?

Mr. MAHONEY. They sell sugar to England, yes, Senator McCarthy. They do not sell in the sense of the Commonwealth market, as they are not within the Commonwealth framework any more.

Senator MCCARTHY. You receive essentially the same price that the Australians receive?

Mr. MAHONEY. The price we receive is a little more than a cent less than the Australians receive under the Commonwealth Sugar Agreement, about 4.49 cents per pound.

Senator MCCARTHY. It is your opinion that the American market is preferable even to the preferred United Kingdom market?

Mr. MAHONEY. Well, I think—I am not sure about is preferable to the United Kingdom market. I think it is a question of lining up side by side. I think my clients feel one would complement the other. They would like to hope to be able to maintain their—some kind of a position with the United Kingdom. They are negotiating to try to hold on. They sell in Canada also, I ought to tell you, and they sell in Canada, but they don't—they are not covered within the preference because of being outside the Commonwealth so they don't get that and they are negotiating on that matter at the moment, I am informed.

Senator MCCARTHY. Do you anticipate any significant change in sugar marketing in the event that Great Britain should join the Common Market?

Mr. MAHONEY. Senator McCarthy, I haven't thought that one through, but insofar as South Africa's access to England, to the United Kingdom——

Senator MCCARTHY. Or to the Common Market.

Mr. MAHONEY. Well, they are actually not in the Common——

Senator MCCARTHY. Are you selling now, trying to get into it?

Mr. MAHONEY. Yes, in the sense of trying to secure access to the trade of the Common Market.

Let me say they have, I am informed, that South Africa has access—to the tune of 150,000 tons—to the British market, the United Kingdom market, for 3 more years. They are not in on the preference that they were, but they have, let me see if I can give you——

Senator MCCARTHY. Separate arrangements?

Mr. MAHONEY. Yes, that is right. But it is at a rate that is roughly commensurate with what, I believe, what the United States would be when you take off the tariff. In terms of the current agreement with the United Kingdom, South African producers receive 4.49 cents per pound.

Let me see, to complete the picture, and I think I am right. I am informed that conditions or that contractual relationship or whatever it is, will exist for three more harvests, 3 more years, until 1965–66.

Senator MCCARTHY. Do you subsidize your sugar industry in South Africa?

Mr. MAHONEY. Yes, Senator, to the extent, well, I am not sure whether I have answered your question correctly.

The price is——

Senator MCCARTHY. The market price or——

Mr. MAHONEY. Not the world market price, therefore, it is—it is not a market price, it is higher than the world market price.

Senator McCarthy. I don't have any further questions.

Senator Douglas. Thank you very much.

Mr. Mahoney. Thank you very much.

Senator Douglas. The last scheduled witness is Mr. George Bronz, of the Irish Export Board.

Mr. Bronz, Ireland was the one country that was left out.

STATEMENT OF GEORGE BRONZ, IRISH EXPORT BOARD

Mr. Bronz. A distinction but a rather dubious one.

Senator Douglas. It receives no permanent quota, temporary quota.

Senator McCarthy. Not even honorable mention.

Senator Douglas. This is extraordinary to me. In view of the charm of Irish representatives, the high esteem in which we hold the Republic of Ireland, and the great charm and influence of the Irish Americans in this country, it is really extraordinary to me that you are the one country underneath the mistletoe which was not kissed, and I take it that you are here to try to redress this omission.

Mr. Bronz. You are correct, Senator Douglas, and I hope that I can put forward some reasons that go beyond charm why Ireland should be permitted an opportunity to ship sugar to the United States.

I have prepared a written statement which I filed with the clerk, and I ask that this statement be included in the record without my reading it.

Senator Douglas. That will be done.

Mr. Bronz. I just want to touch briefly on the principal points involved.

Ireland produces beet sugar. Its production has been growing. It has proved to be an efficient use of resources of land and manpower in Ireland. Those who are concerned with agricultural policy in Ireland consider beet sugar culture a desirable employment of economic resources.

Ireland supplies the home market entirely. It is a protected home market, and homegrown sugar is the sole source of sugar consumed in Ireland.

The price of sugar in Ireland is one of the lowest, very close to the lowest, of any beet sugar growing country in the world. It is 3 cents a pound less at retail than in the United States, and very much less than the prices in the principal beet sugar growing countries in Europe, that is Germany, France, and Italy. In that sense, Ireland is a very efficient sugar producer.

Irish sugar is not being produced as cheaply as cane sugar is being produced in the world today.

Ireland, as I said, supplies its domestic requirements, and, in addition, has been shipping moderate quantities to England. It does not ship any sugar in the open world market at the low so-called world price in competition with cane sugar.

The U.S. market offers an opportunity to Ireland to sell some sugar at a price which will yield to it very close to what it is getting on home sales and on United Kingdom sales, possibly a fraction of a cent higher, but no more.

The United States offers one of the only opportunities in the world for further sales of Irish sugar, because our market conditions here

permit its sale at a compensatory price. That is why Ireland is so eager for an opportunity to sell some sugar in the United States.

Production in Ireland is restricted now by controls on the farmers, on the amount of sugarbeets that may be raised. There is considerably more demand from farmers for the opportunity of growing sugarbeets than it has been possible to satisfy because of limited markets, and, therefore, production is restricted.

Ireland would like the opportunity to permit larger production of sugarbeets and of sugar.

The request we made originally, in terms of the administration bill which fixed a 10,000-ton minimum quantity that could be shipped as refined sugar, was for a quota of 10,000 tons. Ireland probably could ship moderately more than that, but 10,000 tons would be very welcome indeed.

Beet sugar processing is somewhat different from that of cane sugar in that normally there is no intermediate production of raw sugar. Normally, the beets go into the processing plant and come out as refined sugar, and it would be quite uneconomical to interrupt the process and take the sugar out in a raw state. Therefore, the Irish request has been solely for a quota which would permit the shipment of refined sugar.

Ireland is now shipping 5,000 tons to the United States under a quota which was allotted for the first 6 months of 1962, the first, and I believe, the only sugar Ireland has every shipped to the United States. This quota was allotted in response to an invitation from the Department of Agriculture, for, in effect, the offer of bids for the purchase of additional surplus U.S. agricultural commodities. Ireland submitted a bid for the purchase of corn. While we have not seen any publication of the comparative bids of other countries, it appears, from the figures published, that we made about the best bid of all, or certainly very much above the average bid, and, as a result, we were allotted the 5,000 tons which were requested. That sugar is now coming forward to the United States, and it has been a very welcome opportunity indeed to supply this sugar, and Ireland hopes for an opportunity to supply in the future, and has been asking essentially for the 10,000-ton-per-year allocation.

The House committee nowhere explained in its lengthy report, why Ireland was singled out as the only country that had requested one which was denied a quota. However, there are two provisions in the House bill which would operate to exclude Irish sugar even if a quota were specified in the bill and I think that these two provisions, to which I make reference in my written statement, probably explain the reason why Ireland was singled out for such unfavorable treatment.

The House bill provides that no country may export sugar to the United States unless its aggregate exports equal or exceed its aggregate imports. That provision, essentially, is a very sensible provision. If a country is a net importer of sugar, it is hardly a net supplier to the United States or to anyone else.

Ireland has a considerable manufacturing industry which uses sugar in the manufacture of chocolate and other confectioneries, jams and various prepared food products. Ireland has a provision which is identical, in substance, with that in our own Sugar Act, that you may import sugar outside of the quotas, duty free, in order to incorporate it into manufactured products which are subsequently ex-

ported. Under our act, I can buy sugar anywhere in the world, post a bond, bring it in to the United States, use it in manufacturing some prepared food products which is subsequently exported, and then, when I prove the equivalent sugar has been exported, secure a release from the bond I have posted. Under a similar arrangement, some sugar has been imported into Ireland, but it has been entirely for consumption by manufacturing industries for export. None of the imported sugar is used in Ireland, and none of it is exported to the United States or to the United Kingdom, or to anywhere else as sugar.

It has been the policy of Ireland not to purchase sugar, even for this purpose, even for subsequent reexport, from Cuba, and Ireland is boycotting Cuban sugar just as we are.

Thus the House provision stating that a country may not export to the United States unless its aggregate exports exceed its imports should be modified to take account of the sugar contained in exported manufactured products.

The second provision of the House bill which would also require amendment goes to the question of refined sugar. It forbids any country to ship refined sugar to the United States except to the extent that that country shipped refined sugar in the 3 years 1957, 1958, and 1959. Ireland, of course, shipped no sugar to the United States in those years and, therefore, would not qualify.

The policy of the House committee, evidently, although I don't believe it is stated explicitly, was to remove completely the refined sugar quota that had theretofore been granted to Cuba, to permit the very small quotas other countries had for refined sugar to be continued in the same amount, but not to permit any other refined sugar to come to the United States.

The administration bill, on the other hand, had a 10,000-ton limit, and any country with a small quota, up to 10,000 tons, which is one-tenth of 1 percent of the American market, would be permitted to ship refined sugar. It would be wholly impracticable and uneconomical for Irish sugar to be shipped in raw form, and, therefore, if Ireland was to be granted a quota at all, it would be of no use to it unless it could be filled with refined sugar.

Now, there is one other point in the bill——

Senator DOUGLAS. You, therefore, favor the provision in the administration bill?

Mr. BRONZ. Yes, the provision in the administration bill which would allow 10,000-ton quotas to be shipped refined would take care of our requirements, provided we are assigned a quota.

Senator DOUGLAS. I understand.

Mr. BRONZ. Of course, if we have no quota, we are in difficulty.

There is another provision of the bill which does not relate to the direct quotas at all, and which, so far as I know, has not been discussed by any witnesses here.

It is in identical terms both in the House bill and in the administration bill. It seems to me, Mr. Chairman, that the provision, section 6 of the House bill, is a very bad provision, and I do want to bring it to the attention of the committee.

This provision states that the Secretary of Agriculture shall have authority, if he decides that the sugar contained in any other product is being imported under such circumstances as to threaten the control

system of the Sugar Act, by administrative act, to subject the importation of such products to the sugar regulation; in other words, the sugar contained in such products would be charged against the sugar quotas, and a country, of course, with no sugar quota would not be permitted to bring in any chocolates at all.

Senator DOUGLAS. Would this be true of Swiss chocolates?

Mr. BRONZ. It would exclude Swiss chocolates.

Senator DOUGLAS. And Cadbury and Roundtree chocolate?

Mr. BRONZ. If the Secretary found such products were coming in in such quantities as to threaten the Sugar Act controls.

Now, we have a provision in the Agricultural Adjustment Act, section 22, which has been in the legislation for some 25 years, that provides that if any product is being imported in such quantities as to threaten an agricultural program, there is a regular procedure by which the Secretary of Agriculture may apply to the President, who may, in turn, ask the Tariff Commission to conduct hearings and determine whether, in fact, the importation is threatening to interfere with that agricultural program. That provision is applicable to sugar as well as to any other agricultural product, such as corn or cotton or tobacco.

Through the 25 years that section 22 and the Sugar Act have been on the books, no application has ever been made to the Tariff Commission suggesting that the importation of any product containing sugar is threatening the sugar program.

Now it is suddenly proposed in section 6 of the House bill to take the authority away from the Tariff Commission and to let the Secretary of Agriculture, who in all other cases under section 22 acts as the prosecutor, to be the judge of whether manufactured products coming in include enough sugar to affect adversely the administration of the Sugar Act.

We are interested in this provision particularly for one very small product. However, small quantities of exports bulge very large to a country the size of Ireland.

Ireland produces a product called chocolate crumb, which is a mixture of milk solids, of chocolate, and of sugar. In weight, the sugar is slightly more than 50 percent. In value, the chocolate is slightly more than 50 percent. The milk is about one-third both ways. The quantity is infinitesimal. This product is an intermediate product to the making of chocolate candies. The chocolate crumb is, in turn, further treated and made into the chocolate coating.

About a year and a half ago, the Department of Agriculture published a regulation which purported to so change the milk import control regulations as to make chocolate crumb subject to the milk regulations. We filed a brief setting forth a long argument- and Agriculture withdrew its regulation. The Department confessed there had been an error, it published a statement that the regulation was withdrawn. So we proved to them that chocolate crumb was not milk.

Just about a year later, the Sugar Division of Agriculture published another proposed regulation that would have restricted the importation of chocolate crumb because it is sugar. This time we had to go back and file another brief to prove that the selfsame product was not sugar. The year before we had proved it is not milk.

Agriculture has not taken any action on its latest publication, but I suppose the Department of Agriculture feels that section 6 of the

House bill would accomplish the same purpose as it had sought to achieve by administrative regulation.

I submit, gentlemen, that there is ample authority under section 22 of the Agricultural Adjustment Act for the Tariff Commission to pass upon questions of this sort, and that the Sugar Act should not be the tail to wag the dog of all manufactured products that contain sugar, which means practically all prepared foodstuffs, and I believe some industrial products as well. I think it would involve difficulties with our international trade obligations and our trade policies.

Senator DOUGLAS. Senator McCarthy?

Senator MCCARTHY. I don't have any pressing questions.

Would you tell me with reference to the sugar you import and then process and ship out as manufactured products of various kinds, what are some of the products that are involved?

Mr. BRONZ. I believe it is principally chocolate candies. Confectionery products, I think, is the largest category, but there may be other things like cakes and preserves.

Senator MCCARTHY. What is the reason, is it a competitive one?

Mr. BRONZ. I suppose so.

Senator MCCARTHY. This is cheaper sugar?

Mr. BRONZ. Yes, sir.

Senator MCCARTHY. With whom do you compete? What other countries are producing——

Mr. BRONZ. Sell products of that sort?

Senator MCCARTHY. Yes.

Mr. BRONZ. I am not an expert on this.

From general knowledge, the United Kingdom, Netherlands, and Switzerland are important confectionery countries.

Senator MCCARTHY. Are they all for the most part buying their sugar, the sugar they use for this purpose, in the world market or at the cheapest possible prices as Ireland is?

Mr. BRONZ. Well, the United Kingdom, as you have heard from testimony given earlier today, is paying higher than the low prices.

Senator MCCARTHY. Then they wouldn't necessarily be paying it for the sugar they used in this kind of an operation?

Mr. BRONZ. I am not certain. It could very well be that those countries have also made similar provisions to permit exporters to buy low-priced sugar to incorporate into their exported manufactured products.

Senator MCCARTHY. Of course, to the extent that this product, when it is shipped into the United States competes with American-made chocolates it is competing with a product, the sugar content of which has been purchased at American prices.

Mr. BRONZ. Yes, that is true. That is an inevitable result of the drawback type of arrangement.

Senator MCCARTHY. So far as competition with foreign imports into the United States, you have assumed in most cases they were probably using sugar that was purchased at the lowest possible prices?

Mr. BRONZ. Yes, Senator, and, of course, we have duties on the manufactured products which may have taken into account to some extent the sugar cost factor.

Senator MCCARTHY. In your testimony you make reference to how in bidding for a share of the 1962 quota Ireland agreed on extra purchases of agricultural products in quantities far above the average. Who was receiving your bids?

Mr. BRONZ. The Department of Agriculture.

Senator MCCARTHY. The Department of Agriculture?

Mr. BRONZ. Yes, Senator.

Senator MCCARTHY. In other words, you go in and say, "now, if you give us a quota of sugar." I do not know just what authority the Department of Agriculture has, to negotiate bids of this kind.

Mr. BRONZ. The current sugar legislation gives authority to the Secretary of Agriculture, with the concurrence of the Secretary of State, to allocate the Cuban quota on a discretionary basis. I believe that last year the House Committee on Agriculture adopted a resolution recommending to the Department of Agriculture and the other Government agencies, that they use the authority to allocate sugar quotas to move U.S. surpluses, and I believe the present sugar legislation also says that the administration shall take into account purchases of U.S. agricultural products.

There was a formal announcement, in a public statement, that foreign countries were invited to submit tenders to purchase additional U.S. agricultural products in return for sugar quotas, and formal bids were made, specifying the quantity of sugar desired to be sold, and the quantity of agricultural products desired to be purchased. There were explanations back and forth about precisely what was meant and how the purchases would tie in the agricultural products that are exported under various export subsidy arrangements.

Incidentally, the purchase that Ireland is making of corn is entirely at commercial market prices with no export assistance. Ireland conducts all its trade with the United States on commercial terms. Ireland is getting no assistance of any kind under any of the foreign aid programs.

Senator MCCARTHY. What commodities were you offering to buy in greater quantity in exchange for the sugar quota?

Mr. BRONZ. Corn.

Senator MCCARTHY. Principally corn?

Mr. BRONZ. Yes, sir; exclusively corn.

Senator MCCARTHY. I have no further questions.

Senator DOUGLAS. Thank you very much, Mr. Bronz.

(The statement referred to follows:)

STATEMENT OF THE IRISH EXPORT BOARD ON THE SUGAR BILL, H.R. 12154, SUBMITTED BY GEORGE BRONZ, COUNSEL

The Irish Export Board, seeking to expand Irish trade with the United States, urges that H.R. 12154 be amended to assign a permanent modest quota for Irish sugar, and to permit continued imports of Irish products containing sugar.

A PERMANENT SUGAR QUOTA FOR IRELAND

The first Irish sugar in history is reaching the United States under a small 1962 quota. Ireland should be allotted a permanent modest quota, because:

1. Ireland, per capita, is one of America's best customers, especially for agricultural products.

2. Ireland is one of the world's most efficient beet sugar producers. Without special subsidy, Ireland's prices are near the lowest, and its consumption near the highest, in the world.

3. Acreage is restricted to home requirements and export opportunities in the United Kingdom and (for the first time, in 1962) the United States. Other markets are either closed or geared to low-priced residual tropical sugar.

4. A permanent modest quota would provide safe nearby supplies, encourage efficient Irish agriculture, strengthen U.S. export markets, especially for agricultural products, and strengthen bonds with a firm friend.

Ireland, almost wholly dependent upon imported sugar before the war, has so improved and expanded its beet culture and processing that it is now in the position of a net exporter of sugar. It has been allotted a quota of 5,000 tons for importation into the United States during the first half of this year, and hopes to be given a permanent position among the suppliers of the United States.

Ireland is now one of the world's most efficient producers of beet sugar. The Irish sugar growers and the Irish sugar industry supply the domestic market profitably at a price far below the domestic price in almost every other sugar-producing country in the world outside of tropical areas. Ireland is consuming today about as much sugar, per capita, as does the United States.

Consumption and price of sugar: Ireland compared with leading Western European producing countries and with United States

	Consumption per capita, 1959	Retail price per pound, Jan. 1, 1960
Ireland	101.0	8.7
France	74.3	11.5
Germany (West)	67.5	13.5
Italy	45.0	17.6
United States	103.8	11.6

Source: U.S. Department of Agriculture, Statistical Bulletin 293, table 86; latest available data.

The growing of sugarbeets holds a high priority in Ireland's' agricultural planning, not only because of the efficiency achieved, but also because beet culture as practiced in Ireland is peculiarly adapted to the maintenance of the small family farm. Beet agriculture and beet processing have matured together, a striking example of the type of economic development which offers the greatest promise for raising Ireland's standards of living. The Irish Export Board is grateful to Dr. Leech of the University of California, a leading expert on beet seed treatment, and Mr. Austin Armer, of Davis, Calif., an expert on beet harvesting machinery, whose technical assistance was made available some 10 years ago under the Marshall plan, and whose advice proved to be of major importance in the spectacular success of Irish beet sugar.

Now, Ireland is compelled to restrict beet acreage to keep production within the demands of its domestic market, and of the few opportunities it has to export to the markets which are both open to it and insulated from the very low current prices of residual tropical sugars.

Ireland's beet production pays its own way, with generous margins. Selling at unsubsidized and fully compensatory prices, the Irish sugar industry provides the Irish consumer with sugar at a price among the lowest in the world, outside tropical areas. Ireland has no desire to enter into the scramble to dump residual sugar on the uncontrolled international market, and, therefore, seeks only outlets which can absorb its production at the very modest prices at which it can sell profitably. On this basis, Ireland has been shipping sugar for many years to the United Kingdom market, where it has been possible to realize adequate returns, and, in 1962, was permitted for the first time to ship 5,000 tons to the United States. Ireland hopes that the new sugar legislation will afford it the opportunity to become a steady supplier to this market.

Ireland is one of America's good customers. In recent years, Ireland has been buying about $50 million of American goods, against $30 million in trade the other way, a favorable balance for the United States of about $20 million. All of these purchases are on commercial terms. Ireland has had no foreign aid of any kind for over 10 years. Except for a very small program in the early days of the Marshall plan (including the technical assistance noted above which proved so fruitful for Irish beet culture), Ireland has had no assistance from the United States, and has asked for none.

Over half of Ireland's purchases here have been of agricultural products, notably tobacco (over $13 million in 1960) and corn (almost $6 million). Ireland's purchases of American agricultural products alone aggregate almost $10 per capita, one of the highest figures in the world, and Ireland also purchases almost an equal quantity of manufactured products from the United States.

In bidding for a share of the 1962 quota, Ireland agreed on extra purchases of agricultural products in a quantity far above the average. A release of the Department of Agriculture shows that 154,000 short tons of sugar allotments were made in return for undertakings by eight countries to buy surplus commodities valued at $21 million, or an average of $136 per ton of sugar. Ireland's offer was far above this average, and may well have been the best of all.

Like the United States [see Sugar Act sec. 211a], Ireland makes provision for sugar imports outside its controls solely for use in manufacturing for export. The occasional imports of sugar into Ireland reported have been in this category. None of the imported sugar is consumed in Ireland, nor is it exported to the United States. Even for this drawback-type arrangement, Cuban sugar is not eligible, and imports for use in manufactures for export come only from countries to which the United States extends more-favored-nation trade treatment.

The Irish system of sugar production is geared to processing and refining in modern facilities fully able to handle Ireland's beet crop. Therefore, Ireland's interest is in the privilege of shipping direct consumption sugar to the United States. Ireland would be pleased with a quota equivalent to the smallest provided for any country in H.R. 12154 (about 10,000 tons), or could undertake a moderately higher commitment.

The effective allotment of a sugar quota to Ireland requires incidental amendments of H.R. 12154 to insure that (*a*) sugar imported solely for reexport in the form of manufactures is not so counted as to obscure Ireland's position as a sugar-surplus country and (*b*) that an alternative historical base for refined sugar imports (January–June 1962) be added. Appropriate language is set forth in appendix A.

IRISH PRODUCTS CONTAINING SUGAR

Section 6 of H.R. 12154 would give the Secretary of Agriculture sweeping powers to expand Sugar Act controls to cover all products containing sugar. Since sugar is an ingredient of almost all processed food products, and many industrial products as well, section 6 carries the potential of subordinating a huge area of U.S. international trade policy to sugar policy.

The immediate interest of the Irish Export Board is in the possible effect of section 6 on the very small trade in an Irish specialty, chocolate crumb. This product, made of chocolate, milk solids and sugar, is an intermediate product used in the manufacture of chocolate-coated candies. Made with whole (rather than skimmed) milk, it is a premium product selling at a premium price. It is a major Irish export to the United Kingdom, Canada, and other countries. It was introduced in the United States, in 1959, and its acceptance here has been slow, as the following table shows:

Chocolate crumb: Irish exports to the United States

	Long tons	Thousands of dollars
1959	41	20
1960	90	43
1961	152	66
1962 (2 months)	5	2

Source: Irish Trade Statistics.

Ireland's opportunity to sell this tiny volume of chocolate crumb was twice threatened within the past 2 years. In 1960, the Agriculture Department issued a regulation which purported to expand the definition of dairy products subject to import control to include chocolate crumb. We persuaded the Department that the regulation was unauthorized by law, and it was rescinded. Less than a year later, another part of the Department of Agriculture published a proposed regulation which would have subjected chocolate crumb to import control as sugar. Again, a detailed legal memorandum had to be submitted to show that the proposed action was unauthorized by law. Thus, in less than a year, we had to prove to the Department of Agriculture first, that chocolate crumb was not milk, and then that it was not sugar.

Section 22 of the Agricultural Adjustment Act provides that if imports of a product made from an agricultural raw material seem to be impairing the effectiveness of any agricultural program, the Secretary of Agriculture may institute proceedings, and the President may impose appropriate import restrictions, on the basis of a Tariff Commission investigation. Although both section 22 and sugar quota legislation have been in effect for over 25 years, no proceeding has ever been instituted claiming that imports of any product containing sugar interfered with the sugar program. The effect of section 6 would be to bypass this established procedure (applicable to all other agricultural programs) when sugar is involved, and make the Department of Agriculture (which serves as the prosecutor in sec. 22 cases) the judge and jury when sugar is involved.

Chocolate crumb would not even have the benefit of the "grandfather clause" provision of section 6 of H.R. 12154, which establishes a presumption in favor of sugar-containing products imported in 3 of the 5 years prior to 1960. Chocolate crumb was first shipped to the United States in 1959, although it was produced in Ireland, and exported to other markets, long before.

Section 6 should be deleted from the bill. Two alternative amendments are set forth in appendix A, hereto, which would ease the threat to chocolate crumb imports, but it would be far better to delete section 6 entirely, because it is indefensible in principle.

APPENDIX A. PROPOSED AMENDMENTS TO H.R. 12154

1. Page 6, line 2: add "Ireland_____ 0.35". (Adjust other percentages to bring total to 100 percent.)
2. Page 10, lines 3 and 23: insert after "United States": "(including sugar contained in manufactured products)".
3. Page 13, line 13, through page 15, line 7, inclusive: delete

[Alternative A: Page 13, line 16, and page 14, line 2, after the word "mixture", insert: "in chief value of sugar."]

[Alternative B: Page 13, line 20: change "1960" to "1962".]

4. Page 16, line 16: change period to comma, and add: "or double the amount of such sugar entered by such country during the first six months of 1962."

[Page and line references are to House Union Calendar print of H.R. 12154; Senate print not yet available.]

Senator DOUGLAS. Now, this completes the list of those who have requested to testify. There may be others who would like to testify. Without reflection upon any of the countries who have appeared here, I would like to inquire whether there is anyone from New Caledonia who would like to testify.

Is there anyone from the New Hebrides who would like to testify?

Is there anyone from the Canary Islands who would like to testify?

Anyone from the Azores?

Anyone from Tananarive?

Anyone from Tristan da Cunha?

Anyone from Christmas Island?

Anyone from Norfolk Island?

Anyone from Easter Island?

Senator MCCARTHY. Speak now or forever hold your peace. [Laughter.]

Senator DOUGLAS. Not hearing any request from these areas, we will declare the hearings closed.

Before adjourning, I place in the record some statistics and an addendum for the information of the committee.

(The matter referred to follows:)

Sugar statistics [1]

Country	Sugar acreage (1)	Percentage of land in 10 largest holdings (2)	Percentage of acreage in U.S. ownership (3)	Mills (number) (4)	Percentage of production in 10 largest mills (5)	Percentage of mill capacity in U.S. ownership (6)	Field hand daily wages (7)
Peru	165,500	(*a*) Largest, 29 percent; (*b*) 1st 10, 98 percent.	23 percent	14	(*a*) Largest, 26 percent; (*b*) 1st 10, 98 percent.	26 percent	1959, $1.20 to $1.80; 1960, $1.35 to $2; 1961, $1.50 to $2.25.
Haiti	80,000	(*a*) Largest, 6 percent; (*b*) 1st 10, 6 percent.	6 percent	3	(*a*) Largest, 84 percent; (*b*) 1st 10, 92 percent.	84 percent	1961, 81 cents.
Costa Rica	81,526	(*a*) Largest, not available; (*b*) 1st 10, not available.	Very small	33	(*a*) Largest, 9.7 percent; (*b*) 1st 10, 61.7 percent.	None	1959, $1.13; 1960, $1.13; 1961, $1.13.
Dominican Republic	466,000	(*a*) Largest, 55 percent; (*b*) 1st 10.	20 percent	16	(*a*) Largest, 60 percent; (*b*) 1st 10, 100 percent.	32 percent	1959, $1; 1960, $1; 1961, $2.
Republic of China	225,000	(*a*) Largest, 30 percent; (*b*) 1st 10.	None	27	(*a*) Largest, 100 percent; (*b*) 1st 10.	None	1959, 78 cents; 1960, 98 cents 1961, 98 cents.
Mexico	790,000	See addendum	do	71	(*a*) Largest, 10.6 percent; (*b*) 1st 10, 50.2 percent.	do	1959, 96 cents to $1.60; 1960 96 cents to $1.60; 1961, 96 cents to $1.60.
Nicaragua	56,000	(*a*) Largest, 24 percent; (*b*) 1st 10, 49 percent.	6 percent	7	(*a*) Largest, 61 percent; (*b*) 1st 10, 85 percent.	6 percent	1959, $1.42; 1960, $1.70; 1961, $2.13.
Panama	43,000	(*a*) Largest, 7 percent; (*b*) 1st 10 percent.	None	3	(*a*) Largest, 52 percent; (*b*) 1st 10, 100 percent.	None	1959, $1 to $1.25; 1961, $1.60 to $1.70.
Philippines	616,016		Very small	26	(*a*) Largest, 11.67 percent; (*b*) 1st 10, 68.14 percent.	See addendum	1959, 95 cents; 1960, 84 cents; 1961, 91 cents.
Brazil	3,250,000	(*a*) Largest, 1.2 percent; (*b*) 1st 10, 6.5 percent.	None	302	Largest, 2.2 percent; 1st 10, 16 percent.		1959, $1.05; 1960, $1.67; 1962, $1.51.
Argentina	537,500		Small if any	36	Largest, 16 percent; 1st 10, 75 percent.	Small if any	1959, $1.47; 1960, $1.46; 1961, $1.97.
Ecuador	48,370	(*a*) Largest, 45.8 percent; (*b*) 1st 3, 100 percent.		4	Largest, 53.5 percent		1959, $1.45; 1960, $1.45; 1961, $1.21.
Guatemala	75,000	(*a*) Largest, 3.3 percent; (*b*) 1st 10, 19.8 percent.	Very small	10	Not available	Very small	1959, 80 cents; 1960, 80 cents; 1961, 80 cents.
British West Indies:							
Barbados	60,000	(*a*) Largest, 3.5 percent; (*b*) 1st 3, 9.4 percent.		16	Largest, 8.5 percent; 1st 10, 67 percent.		1959, $2.25; 1960, $2.46; 1961, $2.70.
Trinidad	95,000	(*a*) Largest, 33.7 percent; (*b*) 1st 3, 55.9 percent; (*c*) peasants, 44.3 percent.		6	Largest, 42 percent		1959, $1.72; 1960, $2; 1961, $2.17.
Jamaica	202,000	(*a*) Largest, 13.4 percent; (*b*) 1st 10, 47 percent.	4.4	18	Largest, 19.2 percent; 1st 10, 78 percent.	4.4	Not available.

[1] Source: U.S. State Department, at request of Senator Douglas.

Addendum

PERU

2. Ten largest holdings in percent: 29, 12, 11, 11, 10, 7, 7, 5, 5, 1.
3. U.S. acreage: 18 percent:[1] W. R. Grace, two haciendas; 5 percent: Nepena SA, one hacienda (now 54 percent United States, being reorganized to 77 percent United States, principally Transoceanic-AOFC, J. Henry Schroder Banking Corp., and Wood Struthers group.
5. Ten largest mills in percent: 26, 14, 11, 11, 11, 7, 7, 5, 5, 1.
6. U.S. mills: 21 percent:[1] W. R. Grace, two mills (processes for others; Grace share 16.5 percent of total); 5 percent: Nepena SA, one mill.
7. American company reports average daily wage at $3 including overtime and fringe benefits.

HAITI

2. and 3. American firm, Hasco, owns 5,000 acres and leases an additional 5,000 acres. Remainder held by small growers.
5. Largest mills: 84 percent, Hasco; 14 percent, Dessalines; 2 percent, Larve.
6. Hasco entirely U.S. owned; Dessalines owned by Haitian Government; Larve reportedly not Haitian-owned.
7. Hasco pays canecutters US$0.50 per ton; average hourly earnings US$0.09.

COSTA RICA

2. Data not available. Agricultural census of 1955 (latest) reported that of 13,384 farms showing cane production, 21 had 170 acres or more of cane.
3. No U.S. citizen ownership of large acreage.
5. Ten largest mills in percent: 9.7, 8.7, 8.4, 7.3, 5.4, 4.7, 4.5, 4.5, 4.5, 4.
7. Legal minimum wage is 7.50 colones per 8-hour day.

DOMINICAN REPUBLIC

2. and 3. Largest acreage: 55 percent, Azucarera Haina (Government owned); 20 percent, La Romana (U.S.-South Puerto Rico Sugar Co.); 5 percent, Vicini; 20 percent, independent growers.
5. Largest mills: 60 percent, Azucarera Haina (12 mills); 32 percent, La Romana (1 mill); 8 percent, Vicini (3 mills).
6. La Romana owned entirely by South Puerto Rico Sugar Co.

REPUBLIC OF CHINA

2. Government-owned Taiwan Sugar Corp. is sole sugar producer with 30 percent of acreage; balance is owned by private farmers under contract to TSC.
5. All TSC; 29 private mills produce 21,000 tons noncentrifugal brown sugar not included in international sugar conference considerations.
7. NT$31 per day and NT$39 per day for 1959, 1960, and 1961, respectively

PHILIPPINES

1. Centrifugal sugar	542,706
Noncentrifugal sugar	73,310
Total	616,016

	Percent of total	Percent United States
5 and 6. Factory:		
Victorias	11.67	40.33
Binalbogan Isabela	11.56	
La Carlota	7.22	
Hawaiian-Philippine	6.28	97.00
Bacolod-Murcia	5.87	
Pasudeco	5.63	
Talisay-Silay	5.36	
Macao	4.95	6.00
Tarlac	4.81	10.00
Del Carmen	4.79	
Total	68.14	

[1] See testimony of W. R. Grace Co. representatives for their comment on these figures.

7. Daily minimum is 2.5 pesos (1 peso equals 36 cents) actual payments range from 1.8 pesos to 2.8 pesos, with a few piece rate cutters earning 5 pesos.

	Pesos
1959	1. 80–1. 90
1960	2. 00–2. 10

Export exchange rate used in conversion.

PANAMA

2. The two largest mills own 7 and 3 percent, respectively; acreage owned by remaining eight largest producers is unavailable.

4. Two mills producing; one mill shut down.

5. Two producing mills refine 52 and 48 percent, respectively, of total sugar production.

NICARAGUA

1. 1961–62 acreage increased 17,375 acres over 1960–61.

2. Landownership:

	Percent	*Percent United States*
Nicaraguan Sugar Estates	24	25
Somoza family	14	----
El Polvon group	5	----
Lacayo Montealegre	3	----
Ingenio Amalia	2	----
Domingo Rivas	1	----

Remainder held by small growers.

5. Centrifugal sugar mill production:

	Percent
Nicaraguan Sugar Estates	61
Somoza mills (3)	27
Lacayo Montealegre	8
Amalia	3
Monte Libano	½

7. Export exchange rate used (1 córdoba equals 1.24 cents US):

	Without meals
1959	10
1960	12
1961	15

MEXICO

2. According to the Agrarian Reform Code and article 27 of the Mexican Constitution, the largest private holdings in excess of 300 hectares (741 acres) is subject to expropriation if claimed legally; virtually all of the large sugarcane holdings have been expropriated.

A 1961 study showed that 66 percent of the total production came from farms with less than 7 acres planted; the average holding for canegrowers is less than 10 acres.

5. Mill	State	Production (tons)	Percent Total
San Cristobal	Veracruz	146, 252	10. 6
E. Zapata	Morelos	76, 085	5. 5
El Mante	Tamaulipas	70, 814	5. 1
Xicotencatl	Tamaulipas	66, 641	4. 8
El Potrero	Veracruz	62, 541	4. 5
Los Mochis	Sinaloa	62, 484	4. 5
Rosales	Sinaloa	56, 047	4. 0
Independencia	Veracruz	55, 909	4. 0
Atencingo	Puebla	55, 245	4. 0
Tamazula	Jalisco	44. 619	3. 2
Total for mills		696, 637	50. 2
Total for country		1, 387. 794	100. 0

BRAZIL

Item 2. Ten largest holdings in percent: 1.2, 0.8, 0.7, 0.7, 0.7, 0.6, 0.6, 0.4, 0.4, 0.4.

Item 5. Ten largest mills in percent: 2.2, 1.8, 1.8, 1.7, 1.6, 1.6, 1.5, 1.3, 1.3, 1.2.

ARGENTINA

Sugar production (1958)

	Percent production
2. Ledesma	5. 6
San Martin	5. 1
La Esperanza	3. 9
Bella Vista	2. 6
Concepción	2. 1
Rió Grande	1. 8
Las Palmas	1. 5
Mercedes	1. 5
San Pablo	1. 4
Los Rales	1. 3
Total	26. 8
5. Concepción	8. 6
Ledesma	7. 1
La Esperanza	5. 2
San Martin	5. 1
Belle Vista	4. 4
La Trinidad	3. 7
La Florida	3. 3
San Pablo	3. 3
San Ana	3. 3
Los Ralos	2. 9
Total	46. 9

ECUADOR

1. Total area in sugarcane is 111,195 acres, of which only 48,370 acres are devoted to sugar production. Remainder planted in panela and aguardiente for domestic consumption.

2. Commercial sugarcane producers:

	Percent
San Carlos	45. 81
Azucarera Valdez, S.A	51. 07
La Familiar	3. 12

4. The three sugar enterprises operate their own mills.

5. Mill production:

	Percent
San Carlos	53. 51
Valdez	43. 45
La Familiar	3. 04

GUATEMALA

	Percent
2. Pantaleon	3. 27
El Baul	2. 54
Los Tarros	2. 30
San Victor	2. 30
Los Cerritos	2. 07
El Salto	1. 92
Concepcion	1. 73
Torolita	1. 38
Tulula	1. 27
Velasquez	. 98
Total	19. 8

6. Only known citizenship is in El Salto in which Dorion family owns more than 50 percent and John Armstrong a small holding.

BARBADOS

2. Two largest each hold 3.5 percent and third holds 2.4 percent of acreage.
5. Largest mills, in percent: 8.45, 7.17, 6.81, 6.67, 6.55, 6.48, 6.41, 6.34, 6.32, 5.82.

TRINIDAD

		Percent
2.	Caroni, Ltd	33. 7
	Ste. Madeline Sugar Co	17. 2
	Trinidad Sugar	4. 0
	Forres Park, Ltd	. 8
	Peasants Farmers	44. 3
5.	Brechin Castle	42. 18
	Ste. Madeline	30. 14
	Woodford Lodge	11. 85
	Orange Grove	6. 52
	Reform	5. 26
	Forres Park	4. 05

KINGSTON

2. Proportion of Cane Corp.:	*Percent*
West Indies Sugar Co., 2 largest	22. 5
U.S. Mill/Estate, Bernard Lodge	4. 4

Other 7 average between 2 and 3.2 percent.

5. WISCO's two largest, 34.1 percent; three produced, 6.7 percent; four produced, 5.0 percent; one produced, 3.8 percent.

(Whereupon, at 2:35 p.m., the hearings were concluded.)

○

INDEX AND SUMMARY OF H. R. 12154

June 15, 1962	House Agriculture Committee reported H. R. 12154 without amendment. H. Report No. 1829. Print of bill and report.
June 18, 1962	House Rules Committee reported resolution for consideration of H. R. 12154. H. Res. 691, H. Rept. 1831. Print of resolution and report.
	House agreed to resolution.
	House began debate on H. R. 12154.
	Committee summary of bill as reported.
June 19, 1962	House passed H. R. 12154 without amendment.
June 20, 1962	H. R. 12154 was referred to the Senate Finance Committee. Print of bill as referred.
	Sen. Long, La., urged support for the bill and inserted Under Secretary Murphy's testimony before the Senate Finance Committee.
June 25, 1962	Senate committee voted to report (but did not actually report) H. R. 12154.
June 26, 1962	Senate committee reported H. R. 12154 with amendments. S. Report No. 1631. Print of bill and report.
	H. R. 12154 was made the unfinished business.
June 27, 1962	Senate passed H. R. 12154 with amendments.
	Senate conferees were appointed.
June 28, 1962	House conferees were appointed.
June 29, 1962	House received conference report. H. Report No. 1957. Print of report.
June 30, 1962	House agreed to conference report.
July 2, 1962	Senate agreed to conference report.
July 13, 1962	Approved: Public Law 87-535.

See also P. L. 87-539, honeybee importation; sugar amdt.

DIGEST OF PUBLIC LAW 87-535

SUGAR ACT AMENDMENTS OF 1962. Extends the act to December 31, 1966, with respect to domestic areas and the Philippines, and to December 31, 1964, with respect to quotas for other foreign countries; increases the quotas for domestic sugar producing areas by about 625,000 tons and assigns 65 percent of market growth to those areas; reserves a quota of about 1,635,000 tons for Cuba to become effective when diplomatic relations are resumed with that country; provides in the meantime that an equivalent quantity of sugar be purchased without the quota premium; assigns a quota of 1,050,000 tons to the Philippines to be purchased at the full premium price; assigns quotas totalling 1,205,000 tons to 26 other countries, to be effective until December 31, 1964, subject to the cumulative reduction of 10 percent each year of the premium permitted over world prices; provides that the Secretary of Agriculture may allocate 10,000 tons of direct-consumption sugar to countries which do not have a quota proration; limits the importation of direct-consumption sugar from countries other than the Philippines to small quantities; provides that deficits in domestic and foreign quotas be prorated to other quota countries able to fill such deficits; provides for the suspension of quotas of countries which persist in discrimination against American-owned property; authorizes the President to suspend the quota of any country which discriminates against U. S. citizens in its sugar program; provides a mechanism for permitting the entry of several new localities of sugar beet production; and revises the formula provided in the act so as to employ the price of raw sugar and the USDA parity index, as they were related in the years 1957 to 1959, as a guide to the fairness of prices between producers and consumers.

the types of violations which are of such a substantial nature as to warrant the termination of soil bank contracts. p. 9824

14. STOCKPILING. Received from the Office of Emergency Planning a report on the strategic and critical materials stockpiling program for the 6-month period ended Dec. 31, 1961. p. 9824

15. WATER RESOURCES. Received from the Michigan legislature a resolution opposing S. 2246 and similar bills relating to the comprehensive planning and utilization of the water resources of the Nation. pp. 9824-5

16. SUGAR. Sen. Fong discussed the wage provisions of the present Sugar Act and urged the raising of the minimum wage rates for sugar workers. pp. 9829-30

17. ECONOMICS. Sen. Goldwater criticized an article by Walter Lippmann favoring administration economic policies. pp. 9834-5

18. CONSULTANTS. Sen. Williams, Del., discussed the use of consultants by the administration for lobbying activities. pp. 9836-7

19. FOOD PRODUCTION. Sen. Proxmire stated that the free world has a decisive advantage over the Communist world in the production of food and inserted two items discussing food shortages in East Germany and Cuba. pp. 9840-1

20. RECLAMATION. Sen. Anderson commended enactment of legislation authorizing construction of the San Juan - Chama reclamation project. p. 9838
Sen. Anderson commended passage by the House of Legislation to authorize the Fryingpan-Arkansas project in Colo. p. 9838
Sen. Yarborough commended the Bureau of Reclamation on its 60th anniversary. p. 9843

21. LEGISLATIVE ACCOMPLISHMENTS. Sen. Mansfield inserted a listing of legislation passed by Congress last year. pp. 9826-9

22. ADJOURNED until Mon., June 18. p. 9919

HOUSE

23. SUGAR. The Agriculture Committee reported without amendment H. R. 12154, to amend and extend the Sugar Act of 1948 (H. Rept. 1829). p. 9938

24. TARIFFS. Passed as reported H. R. 10095, to continue until the close of June 30, 1963, the suspension of duties for metal scrap. p. 9924
Passed as reported H. R. 10928, to transfer casein or lactarene to the free list. pp. 9926-7

25. AGRICULTURAL ATTACHES; BUILDINGS. As reported, H. R. 11880, to amend the Foreign Service Buildings Act, includes an item authorizing the appropriation to the Secretary of State for acquisition, by purchase or construction of sites and buildings in foreign countries, and for major alterations of buildings of not to exceed $800,000 for facilities for agricultural and defense attache housing, of which not to exceed $400,000 may be appropriated for fiscal year 1963.

26. LEGISLATIVE PROGRAM. Rep. Albert announced that the Consent Calendar and H. R. 12154, to amend and extend the Sugar Act of 1948, will be considered on Mon., June 18, and H. R. 11222, the farm bill, will be considered on Tues. and the balance of the week. pp. 9922-3

27. ADJOURNED until Mon., June 18. p. 9938

ITEMS IN APPENDIX

28. FARM LABOR. Extension of remarks of Sen. Morse inserting an article criticizing S. 1123, to amend the Fair Labor Standards Act of 1938 with respect to the exemption of agricultural employees from the child labor provisions of such Act, "Bad Bill." p. A 4482
Extension of remarks of Sen. Morse inserting an article criticizing the administration of the Mexican farm labor program and the $1 minimum wage for pickers. p. A 4498

29. NATIONAL PARKS. Extension of remarks of Rep. Tuck inserting an address by Secretary Udall at the dedication of Thornton Gap Interchange, Shenandoah National Park. pp. A 4428-3

30. WHEAT. Extension of remarks of Sen. Williams, Del., inserting an article criticizing the USDA, "Law Won't Let Firemen Sell Wheat They Grew." p. A4485

31. LUMBER. Extension of remarks of Sen. Morse inserting three articles, "The Plight of the Lumber Industry," "Is Uncle Sam Causing Mill Closures?", and "Buyers Versus Forests." pp. A 4486, A 4492, A4501-2

32. MILK MARKETING. Extension of remarks of Rep. Stratton inserting an Eastern Milk Producers Cooperative Association letter commenting on the case of Jesse Stalker, the producer-handler, of Ravena, N.Y. pp. A4487-8

33. LABELING; PRICES. Extension of remarks of Rep. Lane inserting a statement, "The Activity of the Federal Trade Commission and the Responsibility of Industry." pp. A4494-6

34. MEAT GRADING. Extension of remarks of Rep. Jensen inserting letters and a resolution from and by the Iowa Beef Producers Association pointing out their opposition to the proposed dual grading of cattle. pp. A4497-8

35. FOREIGN AID. Extension of remarks of Rep. Norblad inserting an article, "The Case Against India Aid." p. A4501
Extension of remarks of Rep. Zablocki criticizing action by the Senate in barring aid to Poland and Yugoslavia and inserting an article, "Folly in Foreign Aid." pp. A4504-5

BILLS INTRODUCED

36. TAXATION; EXPENDITURE. S. Con. Res. 79, by Sen. Capehart, favoring a reduction of taxes and of Federal expenditures for the fiscal year 1963; to Finance Committee.

37. ADMINISTRATIVE PROVISIONS. S. 3430, by Sen. Ellender, to amend various Agricultural Acts; including section 602 of the Agricultural Act of 1954, relative to agricultural attaches, section 4 of the act of 1956, effecting the exchange of its employees with employees of State political subdivisions or educational institutions, and section 11(a) of the act of August 3, 1956, on the acquisition of land by the Department of Agriculture; to Agriculture and Forestry Committee.

38. SUGAR. H. R. 12154, by Rep. Cooley, to amend and extend the provisions of the Sugar Act of 1948, as amended; to Agriculture Committee.

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87TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1829

SUGAR ACT AMENDMENTS OF 1962

JUNE 15, 1962.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H.R. 12154]

The Committee on Agriculture, to whom was referred the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

H.R. 12154 extends the Sugar Act of 1948, with amendments, from June 30, 1962 to December 31, 1966.

Basically, the Sugar Act of 1948, which superseded the Sugar Act of 1937, is intended to do three things: (1) Make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

The Sugar Act has been notably successful in attaining all three of these major objectives.

Under its protection, nearly one-third of our total consumption of sugar is produced by beet and cane growers within the continental limits of the United States and total domestic production (including Hawaii, Puerto Rico, and the Virgin Islands) fills more than one-half of our sugar quota. The Sugar Act has given us this security in supplies, and sugar prices to consumers have been remarkably stable during the lifetime of the act.

H.R. 12154 perpetuates these objectives and strengthens the Sugar Act by assigning a greater portion of the U.S. market to our own domestic beet and cane producers, and by a more equitable and dependable distribution of quotas, for the remainder of our market, among the producers of friendly nations, principally to the good neighbors of the United States in the Western Hemisphere.

MAJOR PROVISIONS

To accomplish these objectives, the bill:

1. Extends the act to December 31, 1966.

2. Increases the quotas for domestic sugar producing areas at current levels of sugar consumption (9.7 million tons) about 625,000 tons and provides that those areas receive 63 percent of increases in consumption as compared to 55 percent under current legislation. The quotas for each of the domestic sugar producing areas at the sugar requirement level of 9.7 million tons under current legislation and under the committee bill are as follows:

[Short tons, raw value]

Area	Present legislation	H.R. 12154
Domestic beet sugar	2,110,627	2,650,000
Mainland cane sugar	649,460	895,000
Hawaii	1,117,936	1,110,000
Puerto Rico	1,231,682	1,140,000
Virgin Islands	16,795	15,000
Total	5,186,500	5,810,000

3. The basic quota would be allocated as follows:

	Tons		*Tons*
Domestics	5,810,000	Ecuador	30,000
Cuba	1,500,000	Haiti	25,000
Philippines	1,050,000	Guatamala	20,000
Peru	200,000	Argentina	20,000
Dominican Republic	200,000	South Africa	20,000
Mexico	200,000	Panama	15,000
Brazil	190,000	El Salvador	10,000
British West Indies	100,000	Paraguay	10,000
Australia	50,000	British Honduras	10,000
Republic of China	45,000	Fiji Islands	10,000
French West Indies	40,000	Netherlands	10,000
Colombia	35,000	Mauritius	10,000
Nicaragua	30,000		
Costa Rica	30,000	Total	9,700,000
India	30,000		

4. The Cuban quota of 1.5 million tons would be authorized for purchase from other countries on a temporary basis through December 1963, as follows:

	Tons		*Tons*
Philippines	150,000	Republic of China	150,000
Peru	150,000	India	100,000
Dominican Republic	150,000	South Africa	100,000
Mexico	150,000	Mauritius	100,000
Brazil	150,000		
British West Indies	150,000	Total	1,500,000
Australia	150,000		

5. Revises the formula provided in section 201 of the act to employ the price of raw sugar and the USDA parity index, as they were related in the years 1957 to 1959, as a guide to the fairness of prices between producers and consumers. The current provision of the act relates the price of refined sugar to the Consumer Price Index, as published by the Bureau of Labor Statistics, as it was related in the years 1947 to 1949. The price for refined sugar is now approximately 0.8 cent per pound below the level indicated by the price formula.

The committee accepts the new formula on the basis that it will be administered as the price objective set forth in section 201 of the act.

6. Provides that a deficit in the quota or proration for any domestic area or foreign country would be prorated, in accordance with their basic quota or prorations, to quota countries with which the United States maintains diplomatic relations and which are able to fill such deficit. If these countries cannot fill all of such deficit, the remainder would be apportioned by the Secretary to nonquota countries with which we are in diplomatic relations. When we are not in diplomatic relations with Cuba or any other quota country and one of the countries named to supply the replacement sugar is unable to do so, the deficit would be authorized for purchase from other countries named in the bill and in the event they cannot supply it from other friendly countries.

7. Provides that any nation or political subdivision thereof which hereafter unlawfully expropriates American-owned property or otherwise seriously discriminates against such property and fails to take remedial action within a reasonable time will have its quota, proration, or authorization to import sugar suspended if the President finds such action to be in the national interest.

8. Provides that if the President, in his discretion, finds that any nation discriminates against U.S. citizens in its sugar program, he shall suspend the quota or other authorization of such nation.

9. Authorizes the payment of $22.8 million to the Dominican Republic Government and to American sugar companies for the entry fee imposed on nonquota sugar purchases during the Trujillo regime.

10. Provides that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation unless the Secretary finds that importation will not substantially interfere with attainment of the objectives of the act. The Secretary may also apply quotas to the sugar content of any sugar-containing product or mixture that has a history of importation in recent years if he finds that importation of the product or mixture will substantially interfere with attainment of the objectives of the act.

11. Provides direct-consumption sugar limitations substantially similar to those in present legislation for Hawaii, Puerto Rico, and the Republic of the Philippines. It would limit the direct consumption sugar that may be entered from foreign countries other than the Republic of the Philippines to the average entries during the years 1957 to 1959 of such sugar from countries which receive a proration of 20,000 tons or less under the bill. No direct consumption imports would be permitted from countries, other than the Philippines, with quotas of more than 20,000 tons.

12. Provides that replacement supplies of sugar authorized for importation in lieu of quotas of countries not in diplomatic relations with the United States, such as Cuba, shall be in raw sugar so long as raw sugar is reasonably available from all authorized sources combined. If the Secretary finds that raw sugar is not so reasonably available, he may authorize the purchase of direct-consumption sugar as required.

The language of this section has been changed from that in section 408(b)(3) of the present act to make clear that the purchase of direct-consumption sugar may not be authorized from a country if any other country or countries eligible under section 202(c)(5) have raw

sugar reasonably available. The present act has been interpreted by the Secretary to permit the importation of direct-consumption sugar from certain countries in lieu of Cuba's quota, although raw sugar was available from other authorized sources. The changed language in section 202(c)(5) will not permit such an interpretation.

13. Sets up a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses and eliminates other liquid sugar quotas.

14. Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas and only sugar produced in the Virgin Islands would be eligible to be brought into the continental United States within the quota for the Virgin Islands.

15. Provides that in any year when production is restricted in the beet sugar area, a national reserve of not more than the acreage required to yield 50,000 tons of sugar be assigned to farms on a fair and reasonable basis without regard to any previous production history for the purpose of making acreage available for expansion of the beet sugar industry. Also clarifies the circumstances under which the Secretary would establish grower proportionate shares and the Secretary's authority to consider the sugarbeet production history of farm operations in lieu of or in addition to the sugarbeet production history of land units, in regions where the Secretary determines that sugarbeet production is organized generally around persons rather than units of land and where personal history was generally used prior to 1962.

CUBA

Cuba in years past has been our largest supplier of sugar. In response to political upheavals in Cuba, Congress in 1960 authorized the President to reduce that country's quota in our market. Under this authority, the Cuban quota was brought down to zero and, by a special formula provided by the Congress, the sugar formerly supplied by Cuba now is obtained from domestic sources and from friendly nations. H.R. 12154 assigns to our own producers and to producers in friendly nations a portion of the sugar formerly supplied by Cuba, but the legislation holds to a hope that Cuba may soon throw off its Communist yoke and return to the family of free American nations. In this firm expectation, this legislation reserves a substantial portion of Cuba's former quota, for reassignment in the future to a free and independent Cuba.

U.S. SUGAR CONSUMERS

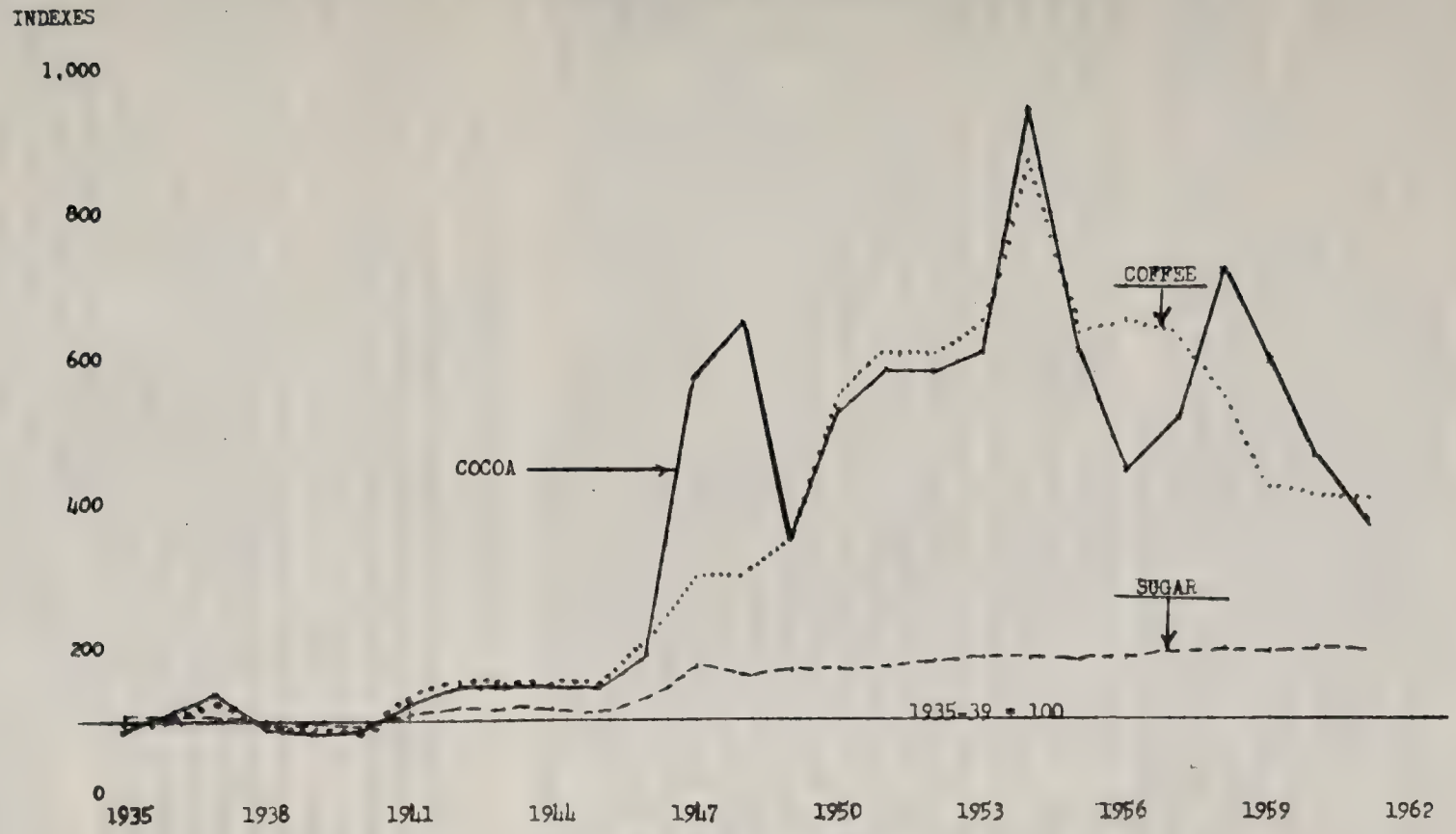
While the Sugar Act has served to encourage the development of a solid and stable, and constantly growing, sugar industry and economy in continental United States, the committee stresses particularly the benefits it has brought to U.S. consumers of sugar.

No other basic food has been more stable in supply and price, in wartime and in peacetime, than has sugar. The pressures that have caused great fluctuations in the prices of some foods, particularly the foods that we import, have had little inflationary effect upon sugar.

The following simple chart best illustrates the benefits to U.S. consumers, by comparing the stable sugar price line with the fluctuations and inflations in the prices of cocoa and coffee, two other imported and important foods, which operate under no program similar to that provided by the Sugar Act:

PRICES OF SUGAR, COCOA AND COFFEE AT NEW YORK, N.Y.

Indexes 1935-39 = 100



SU-ASCS-USDA—JUNE 11, 1962

DOMESTIC SUGAR PRODUCTION INCREASED

H.R. 12154 provides for expansion of sugar production in the United States. It assigns to the domestic areas on a permanent basis the right to supply a substantial portion of the sugar not obtained from Cuba. It raises domestic quotas to almost 60 percent of the present total market for sugar and furthermore it assigns 63 percent of future market growth to the domestic areas. These changes increase total domestic quotas by about 625,000 tons or about 12 percent.

The desire to produce sugar crops has been most intense on the mainland. Accordingly, this legislation provides quotas for the three offshore domestic areas adequate for their present and near-term production potentials with provision for quota increases if future production exceeds these quotas.

The quota for the domestic beet sugar area is increased more than 25 percent to 2,650,000 tons. The quota for the mainland cane sugar area at the present level of consumption is increased more than 35 percent to 895,000 tons. The domestic areas' 63 percent of market growth or a little more than 100,000 tons a year would go to the two mainland areas in ratio to their basic quotas, that is, about three-fourths to the beet sugar area and one-fourth to the cane area.

In view of the need to replenish inventories, the quota for the domestic beet sugar area is sufficient to cover all of the sugarbeets likely to be processed in existing factories plus an additional amount that would permit entry of some additional localities of production.

When any domestic area is unable to fill its quota the deficit, under this legislation, would be assigned to foreign importations rather than to other domestic areas. On the other hand, if production increased in the offshore domestic areas, foreign importations would be reduced sufficiently to enable the offshore domestic areas to market increased production up to the entitlement that they would have had if the current law had been extended without amendment. These arrangements will stabilize the marketing opportunities of each of the domestic areas.

PROVISION FOR NEW BEET FACTORIES

The provisions of the sugar bill providing for growth and expansion of the beet sugar industry take the form of an amendment to section 302(b) of the present law, the section which authorizes the Secretary to establish and allocate proportionate shares to sugarbeet farms.

Under the terms of the bill, the Secretary shall, in order to make available acreage for growth and expansion of the beet sugar industry, reserve each year, from the national sugarbeet acreage requirement established by him, not in excess of the acreage required to yield 50,000 short tons, raw value of sugar. On the basis of the national average yield of 2½ tons of sugar per acre, this provision would permit the Secretary to establish a sugarbeet acreage reserve of 20,000 acres. In areas where the sugar yield per acre is less, the sugarbeet acreage reserve might be somewhat greater and in the areas where the sugar yield per acre is higher than the national average, the sugarbeet acreage reserve might be less than 20,000 acres. In any event, regardless of the sugar yield per acre of any area to which the sugarbeet acreage reserve might be distributed, such area will have an

opportunity to produce enough sugarbeets to support the operation of a sugar plant having a production capacity of 1 million hundred-pound bags of refined sugar.

The reasonableness of this figure is confirmed by three facts: (1) The average production of the 61 beet sugar plants in operation in 1961 in the United States was less than 800,000 hundred-pound bags of refined sugar. (2) A study by an independent, reputable engineering firm recently recommended to interested producers in one of the important sugarbeet producing areas the economic feasibility of a factory with a capacity slightly under 1 million bags. (3) Even in areas where conditions might suggest the feasibility of a plant eventually having a larger capacity, it is generally recognized that a 1-million-bag output would be adequate to underwrite successfully the initiation of such a plant.

The bill provides that the sugarbeet acreage reserve shall be established only in years when restrictive proportionate shares are in effect. It is unnecessary to establish acreage priorities in years when plantings of producers, whether old or new, are not restricted by the Government.

The bill provides that the sugarbeet acreage reserve shall be distributed by the Secretary, after investigation and notice and opportunity for public hearing, on a fair and reasonable basis to farms without regard to other acreage allocations to States or areas within States. Except as indicated, the bill does not contain any standards to guide the Secretary in distributing the sugarbeet acreage reserve. The sugarbeet acreage reserve is available for distribution to new growers supplying a new factory in a new area. The Secretary of Agriculture stated in his testimony before the House Agriculture Committee that, in distributing the sugarbeet acreage reserve, he would give priority to new growers for a new factory over new growers for an old factory. That such priority is inherently assured by the language and the origin of the pertinent provisions of the bill was underscored by the comments of Congressman Poage in the record of the House hearings.

In the event of the proposed opening of more than one new factory in a single year, the Secretary would have to decide which new growers group, taking into account all the relevant facts, has the more valid claim. The Secretary's decision in 1 year would, of course, be without prejudice to the position of any losing group in a subsequent year.

Quite properly the bill does not undertake to define a new area. A new area could include a State where sugarbeets have never been commercially grown, such as Maine or Missouri; a State where sugarbeets have not been commercially grown for a number of years, such as New York; a State where only a few beets, for sugar or for seed, are now being grown, such as Texas, New Mexico, Indiana, or Arizona; or, a State where sugarbeets are being commercially grown in significant volume, such as Nebraska, California, North and South Dakota, Idaho, Washington, or Minnesota.

Growth and expansion of the beet-sugar industry is also possible through increases in the capacities of existing plants. Subject to the priority claims of new growers for new plants in new areas, the sugarbeet acreage reserve is available for distribution to new growers supplying beets to an old plant which is being expanded. Such new

growers would, of course, have prior claims over old growers who might wish to expand their production to supply the additional beets needed for the expanded plant. If two or more plants are expanded in a single year, the Secretary has to decide which new grower groups, or which old grower groups, have the most valid claim to all, or some part, of the sugarbeet acreage reserve available for distribution.

The sugarbeet acreage reserve provided by the bill is in addition to provisions already in the law authorizing the Secretary to protect the interest of new and small producers.

It is estimated that about 70,000 tons of quota will be credited annually to the beet area as a result of its share of the 63 percent of market growth reserve for continental areas. It is generally assumed that U.S. market growth is about 150,000 tons a year; 63 percent of this amount is roughly 95,000 tons. Under the bill the 95,000 tons is split approximately 3 to 1 between the domestic beet and mainland cane areas—70,000 tons for beets, 25,000 tons for cane.

The 50,000 tons needed for the sugarbeet acreage reserve is thus covered by the annual growth increment accruing to the domestic beet area. The difference (20,000 tons) between the expected growth increment (70,000 tons) and the maximum sugarbeet acreage reserve (50,000 tons), however, cannot be construed as being available for "expansion" of the existing industry because it is not enough to absorb the industry's annual technological growth, which amounts to about 50,000 tons.

Accordingly, under the terms of the bill most of the annual technological growth of the industry—that is, higher sugar yields per acre—will have to be absorbed by the old beet grower group. This could involve a cut in old grower acreages.

The probability of future acreage reductions for old growers is compounded by the level of the basic beet quota—2,650,000 tons as compared with a 1962 crop now estimated to yield 2,800,000 tons of sugar. The low level of the industry's current carryover, due to last year's below average yields, will probably avoid the need for acreage cuts for old beet growers for 1963. Under these circumstances, as Secretary Freeman has said, acreage restrictions next year appear unlikely.

In summary: The sugarbeet acreage reserve may equal only the equivalent of one million-bag factory a year for new growers. The 1 million-bag-a-year technological growth of the industry may have to be carried, in large part, by the old growers—and by the new growers after they enter the business. The conservative level of the basic quota, and the modest growth increment, awarded the domestic beet industry in the bill reveal clearly, on analysis, the willingness of the beet industry, old and new, to make a real contribution to industry unity, to permit the foreign suppliers to continue to have a guaranteed share of about 40 percent of the U.S. sugar market.

THE PHILIPPINES

A quota of 1,050,000 tons is established in this legislation for the Republic of the Philippines. This represents an increase of 70,000 tons above the quota provided in current legislation and above the terms of the Philippine Trade Agreement.

QUOTAS FOR OTHER FRIENDLY NATIONS

After the assignment of quotas to domestic continental and offshore areas, and to the Philippines the balance of our requirements of 2,840,000 tons—based on domestic consumption of 9,700,000 tons annually—would be obtained from other friendly countries, by permanent quotas during the 5-year duration of this extension of the act, and by year-by-year purchases from designated countries of the amount of the sugar quota reserved for Cuba.

The quota reserved for Cuba, against the day when she returns to the brotherhood of free nations of the Western Hemisphere, amounts to 1,500,000 tons. Prior to the entry of Communist rule on the island, Cuba's quota amounted to more than 3 million tons. It is the firm position of this committee that a substantial portion of Cuba's old quota should be reserved, and not assigned permanently to other countries, so that prompt and effective economic strength shall be assured a free Cuba when she emerges from the wreckage of Communist domination.

This bill assigns permanent quotas of approximately 1,340,000 tons to foreign countries other than Cuba and the Philippines. The quotas of all foreign suppliers are substantially increased. The 1,500,000 quota reserve for Cuba will be purchased from other countries on a year-to-year allocation basis, by act of the Congress. The quota for the British West Indies embraces all the territories that are members of the B.W.I. Sugar Association. This includes British Guiana.

In making the temporary allocations after 1963 to other nations, from the Cuban reserve quota, the Congress will review and take into consideration among other factors, the purchases by the various sugar-producing countries of agricultural commodities in the United States, and will give special consideration also to good-neighbor countries of the Western Hemisphere.

NEW BASE FOR QUOTAS

Prior to the upheaval in Cuba, the quotas for purchases of sugar from foreign suppliers followed somewhat the pattern of the participation of these suppliers in our market in the years before the Sugar Act came into being. This basis for quota assignment was completely upset when Cuba ceased to be a supplier, and assignments of purchases have been largely on a temporary and experimental basis since that time, under special enactments of the Congress.

This legislation extending the act departs as a matter of necessity from the historical supply basis in assigning foreign quotas, and turns to what may well be a more solid basis of making such quota assignments, by dependency primarily upon the ability of sugar-producing and friendly countries to supply our market at the time that sugar is needed after giving consideration to production totals, to the facility with which sugar may be delivered, and with especial emphasis upon doing business with Western Hemisphere countries.

The following table shows the sugar production, consumption, and exports by countries:

Data concerning specified sugar exporting countries, May 24, 1962

	Total land area	Population	Sugar, 3-year (1959–61) average (thousand short tons, raw value)					1961 U.S. sugar (thousand short tons, raw value)			U.S. quota, at 9.7 million tons
			Crop-year production	Local consumption	Exports to—			Quota	Other allocation	Total	
					United States	Other preferential markets	Total				
	Thousand square miles	*Thousands*									*Thousand tons*
Republic of the Philippines	116	27,456	1,527	[1] 321	[1] 1,132		[1] 1,181	980.0	491	1,471	980.0
Peru	514	10,857	937	292	357		592	122.0	514	636	109.0
Dominican Republic	19	3,014	1,180	86	326		950	111.0	223	334	96.0
Mexico	760	34,626	1,719	1,225	386		444	95.0	590	685	80.0
Nicaragua	57	1,475	82	[1] 41	[1] 26		[1] 33	17.0	26	43	16.0
Haiti	11	3,505	75	[1] 38	[1] 20		[1] 20	8.0	37	45	8.0
Netherlands	13	11,417	660	732	10		86	4.0	6	10	4.0
Republic of China	14	10,611	956	133	67		825	4.0	166	170	4.0
Panama	29	1,053	30	25	4		5	4.0	6	10	4.0
Costa Rica	23	1,171	75	[1] 40	[1] 8		[1] 9	4.0	26	30	4.0
Canada	3,852	18,085	155	[1] 913	[1] 0		[1] 3	.6	1	2	.6
United Kingdom	94	52,675	989	3,210	3		545	.5	1	2	.5
Belgium	12	9,104	402	368	2		129	.2	1	2	.2
British Guiana	83	566	352	23	41	288	329	.1			.1
British West Indies	12	3,326	964	130	78	769	847		266	266	
Colombia	440	14,132	388	328	16		17	0	46	46	0
Brazil	3,288	68,000	3,817	2,707	150		811	0	306	306	0
India	1,222	438,000	[2] 3,713	2,553	54		121	0	175	175	0
El Salvador	8	2,612	59	[1] 46	[1] 3		[1] 10	0	12	12	0
Ireland	27	2,834	154	179	0		15	0	0	0	0
Guatemala	42	3,759	95	[1] 74	[1] 3		[1] 4	0	17	17	0
Fiji	7	394	230	16	0	163	203	0	0	0	0
French West Indies	1	500	279	[1] 12	[1] 0	[3] 201	[1] 42	0	75	75	0
Australia	2,975	10,398	1,465	625	29	546	835	0	90	90	0
Ecuador	116	4,298	111	[1] 87	[1] 0		[1] 30	0	36	36	0
Paraguay	157	1,760	35	26	1		8	0	5	5	0
Mauritius	1	621	498	29	0	479	492	0	0	0	0
British Honduras	9	90	15	2	0	19	19	0	0	0	0
South Africa	472	15,841	1,080	765	0	237	279	0	0	0	0
Argentina	1,073	20,956	913	846	2		110	0	0	0	0
Cuba	44	6,743	6,647	378	1,795		6,247	0	0	0	0
Total	15,491	779,879	29,602	16,250	4,513	2,702	15,241	1,352.0	3,116	4,468	1,306.0

[1] 2-year (1959–60) average.

[2] Apparently includes several hundred thousand tons of khandsari, a high-grade, noncentrifugal sugar.

[3] Shipments to other departments of France.

SAFEGUARDING AMERICAN INTERESTS

This legislation takes particular caution to safeguard American interests in countries from which we purchase sugar, against expropriation of property and investments of U.S. citizens and against discrimination especially against American owned sugar properties and facilities in these countries. The committee directs specific attention to the sections of this legislation which embrace these safeguards.

DOMINICAN REPUBLIC REFUND

While Public Law 86–592, July 5, 1960, and the legislative history, did not consider the imposition of any special fees on any nonquota purchase sugar, the Department of Agriculture Sugar Regulation 818, Amendment 3 (Sept. 23, 1960), did impose a fee of 2 cents per pound, which was subsequently raised to 2¼ cents per pound under Department of Agriculture Sugar Regulation 819 (Dec. 22, 1960), on all nonquota purchase sugar imported from the Dominican Republic. The fees so collected until March 31, 1961, when the importation of nonquota purchase sugar from the Dominican Republic was totally eliminated under the authorization of Public Law 87–15, March 31, 1961, totaled $22,755,153.67.

Action taken in imposing such fees was designed to prevent a windfall to the then Trujillo Government in the Dominican Republic.

The committee was informed that when the Trujillo Government ceased to exist and the present U.S. supported Dominican Government came into power, it was assumed by the Dominican people that this money, having been withheld by the U.S. Government in order to prevent the benefits of sales in the U.S. premium market of nonquota sugar going to the Trujillo Government, would then be returned by the U.S. Government. The American private sugar company operating in the Dominican Republic, together with a private Dominican sugar company, entered into binding agreements with the Government of the Dominican Republic providing:

1. In the event such legislation is enacted by the U.S. Congress authorizing the return of an amount equivalent to the collected fees, these private companies with respect to their shares of the fees so paid would forego receiving any dollars, so that all the dollars so returned would be deposited to the account of the Government of the Dominican Republic, thereby bolstering the difficult foreign exchange position of that country.

2. The private sugar companies would receive the equivalent in pesos of the dollar amount they paid. From this amount the companies would pay Dominican taxes and small amounts to farmers who originally supplied some of the sugar, and would utilize the net remaining amount of pesos for construction of houses in the fields for use of the Dominican laborers and other comparable economic and social programs, such as improvements of roads, etc. In the case of the American company, its claim of $6,885,861 would thus be distributed approximately as follows:

Pesos for taxes	3, 746, 000
Pesos for the small farmers	331, 000
Pesos for housing and roads	2, 808, 861

In the case of the other private company, owned by Dominican citizens whose claim totaled approximately $1 million, the distribution of the peso equivalent of $1 million would be along the same proportions. In the case of the remaining sugar companies, all now entirely owned by the Dominican Government, all the funds so returned to them would be used for the benefit of the Dominican people.

3. The South Puerto Rico Sugar Co. and the Dominican Government-owned companies which had brought suit against the United States in the Court of Claims on the ground that the tax had been unconstitutionally imposed, would dismiss the law suits.

In view of the strong political importance attached to the returning of this money in this way by the present U.S.-supported Dominican Government, the committee considered this method to be that which would provide important support to this new democratic government.

History and Operations of the U.S. Sugar Program

NATIONAL POLICY

For many years it has been the policy of the U.S. Government—for defense and strategic reasons—to preserve within the United States the ability to produce a substantial portion of our sugar requirements. This has been done because sugar is an essential and vital food product needed by American consumers, the supply of which on a worldwide scale has been marked by periods of alternating scarcity and surplus.

A large portion of the world's sugar is grown in tropical countries where cheap labor is abundantly available. An additional large portion of world production is in countries which, like the United States, provide protection or subsidy to their sugar producers.

It is unlikely that a significant amount of sugar would be grown in the continental United States if American producers had to compete on the open world market with sugar produced with cheap tropical labor or under subsidy in other countries.

For years, protection was afforded to our sugar producers solely through the tariff. Although the tariff did assist domestic producers, it still left them exposed to the price fluctuations of the world sugar market. It also increased the price of sugar to consumers in the United States without assuring them of adequate foreign sources of supply.

A quota system which prorated domestic consumption among producers in the United States and a number of foreign countries was developed and enacted as law in 1934. The quota system was revised in 1937 and again in the present act which became effective in 1948. Since initiation of the quota system, the tariff on sugar has been reduced 75 percent and now represents only supplementary protection to the sugar industry.

A tax of 0.5 cent per pound is imposed on all sugar manufactured or imported into the United States. Payments are made to domestic producers of sugarcane or sugar beets at a rate which ranges from 80 cents per hundredweight of recoverable sugar produced on small farms to as little as 30 cents per hundredweight of production in excess of 30,000 tons of sugar on large farms. To qualify for pay-

ments under the program, producers must comply with production restrictions, pay fair wages to workers, and not employ child labor and, if they are also processors, pay fair prices for sugarcane or sugar beets.

Income to the Government from the tax on sugar has been very substantially in excess of the amount disbursed as payments to domestic growers during each of the years under the program. In recent years the income from the tax has approximated $95 million annually, while payments to growers have approximated $70 million.

Since 1937 there has been a net return to the Treasury of over $450 million in the difference between collections on the sugar excise tax and the actual cost of the stabilization program.

SUPPLY

Table 1 below shows how the various supplying areas have participated in the U.S. sugar market from 1900 through 1961. It will be noted that since 1948, all areas have shared equitably in the expanding sugar market in the United States. The lower figures for Hawaii and Puerto Rico in several recent years resulted from production difficulties and this automatically increased the shares of the domestic beet and mainland cane areas for such years. The major shift in 1960 and 1961 from Cuba to the Philippines and other foreign countries will be noted.

Tables 2 and 2(a) show the manner in which the quotas and "nonquota purchase authorizations" have been distributed among the various producing areas. Tables 2(b) and 2(c) show the final quotas and authorizations for 1961 and unfilled balances, if any. Final quotas of Hawaii, Puerto Rico, and the Virgin Islands reflect adjustments for deficits.

TABLE 1.—*Entries and marketings of sugar in continental United States from all areas, 1900 to date*

[1,000 short tons, raw value]

Year [1]	Total	Continental United States [2]		Hawaii	Puerto Rico	Virgin Islands	Philippines	Cuba [3]	Other foreign countries
		Beet	Mainland cane						
1900	2,413	92	312	252	36	(1)	25	353	1,343
1901	2,963	198	364	345	69	(1)	2	550	1,435
1902	2,574	233	373	360	92	(1)	6	492	1,018
1903	3,143	258	278	387	113	(1)	9	1,198	900
1904	3,023	259	415	368	130	(1)	31	1,410	410
1905	3,118	335	390	416	136	(1)	39	1,029	773
1906	3,359	518	273	373	205	(1)	35	1,391	564
1907	3,701	496	394	411	204	(1)	13	1,618	565
1908	3,331	456	415	539	235	(1)	19	1,155	512
1909	3,730	548	332	511	244	(1)	42	1,431	622
1910	3,789	546	355	555	285	(1)	88	1,755	205
1911	3,801	642	361	506	323	(1)	115	1,674	180
1912	3,927	742	163	603	367	(1)	218	1,593	241
1913	4,382	784	301	543	383	(1)	102	2,156	113
1914	4,431	773	247	557	321	(1)	58	2,463	12
1915	4,718	935	139	640	294	(1)	163	2,392	155
1916	5,000	878	311	569	425	(1)	109	2,575	133
1917	4,808	819	245	581	489	6	134	2,335	198
1918	4,430	814	285	540	336	4	87	2,280	84
1919	5,352	777	122	579	364	10	88	3,343	69
1920	6,337	1,165	176	550	413	13	146	2,881	993
1921	5,412	1,091	327	541	469	6	165	2,590	223
1922	6,807	722	296	568	360	6	275	4,527	53
1923	5,831	943	172	519	342	2	238	3,426	189
1924	6,483	1,166	90	677	393	2	339	3,692	104
1925	6,934	977	142	755	600	11	493	3,923	33
1926	7,024	960	48	747	559	6	380	4,280	44
1927	6,809	1,170	72	777	574	6	531	3,650	29
1928	6,691	1,135	136	878	674	11	575	3,249	33
1929	7,587	1,089	218	882	507	3	711	4,149	28
1930	6,683	1,293	215	868	809	6	794	2,645	53
1931	6,727	1,343	206	998	796	2	872	2,482	28
1932	6,303	1,319	160	1,048	940	5	1,028	1,791	12
1933	6,331	1,366	315	990	793	5	1,249	1,573	40
1934	6,574	1,562	268	948	807	5	1,088	1,866	30
1935	6,277	1,478	319	927	793	2	917	1,830	11
1936	6,833	1,364	409	1,033	907	4	985	2,102	29
1937	6,860	1,245	491	985	896	8	991	2,155	89
1938	6,619	1,448	449	906	815	4	981	1,941	75
1939	7,466	1,809	587	966	1,126	6	980	1,930	62
1940	6,443	1,550	406	941	798	0	981	1,750	17
1941	8,009	1,952	411	903	993	5	855	2,700	190
1942	5,555	1,703	407	751	836	0	23	1,796	39
1943	6,466	1,524	460	866	642	3	0	2,857	114
1944	6,942	1,155	515	802	743	3	0	3,618	106
1945	5,997	1,043	417	740	903	4	0	2,803	87
1946	5,657	1,379	445	633	867	5	0	2,282	46
1947	7,759	1,574	383	842	969	3	0	3,943	45
1948	7,084	1,656	456	714	1,013	4	252	2,927	62
1949	7,588	1,487	557	769	1,091	4	525	3,103	52
1950	8,279	1,749	522	1,145	1,053	11	474	3,264	61
1951	7,758	1,730	457	941	959	6	706	2,946	13
1952	7,991	1,560	579	972	983	6	860	2,980	51
1953	8,282	1,749	513	1,087	1,118	12	932	2,760	111
1954	8,240	1,802	501	1,040	1,082	10	974	2,718	113
1955	8,396	1,797	500	1,052	1,080	10	977	2,862	118
1956	8,992	1,955	601	1,091	1,135	13	982	3,089	126
1957	8,916	2,066	636	1,037	912	15	906	3,127	217
1958	9,076	2,240	680	630	823	6	980	3,438	279
1959	9,240	2,241	578	977	958	12	980	3,215	279
1960	9,522	2,165	619	845	896	7	1,155	2,390	1,445
1961 [4]	9,701	2,608	750	1,045	980	16	1,355	0	2,947

[1] Data on fiscal year basis 1900–18; calendar year basis 1919 to date.
[2] Crop year production 1900–30.
[3] Excludes sugar imported for foreign claimants as follows: 1942, 144,000 tons; 1943, 446,000 tons; 1944, 262,000 tons; 1945, 337,000 tons; 1946, 368,000 tons; 1947, 230,000 tons.
[4] Preliminary.

TABLE 2.—*Final basic quotas, Sugar Act of 1948*

FIRST YEAR OF ACT, EACH MAJOR EXTENSION AND RECENT YEARS

[Short tons, raw value]

Area or country	1948	1953	1957	1960	1962 as of May 31 adjusted to annual rate
Total U.S. "requirements"	7,200,000	8,100,000	8,975,000	10,400,000	9,700,000
Domestic beet	1,800,000	1,800,000	1,948,357	2,267,301	2,110,626
Mainland cane	500,000	500,000	599,528	697,670	649,460
Hawaii	1,052,000	1,052,000	1,087,373	1,265,375	1,177,936
Puerto Rico	910,000	1,080,000	1,136,987	1,323,111	1,231,682
Virgin Islands	6,000	12,000	15,505	18,043	16,796
Philippines	982,000	974,000	980,000	980,000	980,000
Cuba	1,923,480	2,574,720	2,993,897	2,419,655	----------
Other foreign countries (details below)	26,520	107,280	213,353	432,945	325,076
Withheld from Cuba for allocation to other countries	----------	----------	----------	995,900	3,208,424
Total	7,200,000	8,100,000	8,975,000	10,400,000	9,700,000

PRORATION OF QUOTAS FOR FOREIGN COUNTRIES OTHER THAN CUBA AND THE REPUBLIC OF THE PHILIPPINES

[Short tons, raw value]

Peru	5,903.6	50,109	77,124	138,827	108,518
Dominican Republic	3,542.2	26,641	60,420	130,957	96,308
Mexico	3,204.1	11,046	43,134	115,809	80,108
Nicaragua	5,429.2	7,550	11,588	19,766	15,748
Haiti	489.5	2,578	6,127	9,105	7,640
Netherlands	115.7	----------	3,435	4,427	3,940
China	153.0	----------	3,371	4,218	3,802
Hong Kong		----------	3	3	4
Canada	299.7	----------	631	631	632
United Kingdom	186.2	----------	516	516	516
Belgium	156.3	----------	182	182	182
Dutch East Indies	112.3	----------	----------	----------	----------
Guatemala	177.9	----------	----------	----------	----------
Honduras	1,823.3	----------	----------	----------	----------
El Salvador	4,360.3	3,992	----------	----------	----------
Venezuela	154.0	----------	----------	----------	----------
Czechoslovakia	139.8	----------	----------	----------	----------
Other countries	[1] 22.9	----------	----------	----------	----------
"Unallotted reserve" or "unspecified countries"	250.0	5,364	----------	----------	----------
Costa Rica	----------	----------	3,367	4,202	3,792
Panama	----------	----------	3,371	----------	3,802
British Guiana	----------	----------	84	84	84
Total	26,520.0	107,280	213,353	432,945	325,076

[1] Argentina, 7.7 tons; Australia, 0.1 ton; Brazil, 0.7 ton; Colombia, 0.2 ton; Costa Rica, 11.0 tons; Italy, 1.0 tons; Japan, 2.1 tons.

TABLE 2(a).—*Nonquota purchase allocations, 1960 and 1961, subject to sec. 408(B) of the act*

[Short tons, raw value]

Country	1960	1961
Philippines	176,426	490,731
Peru	135,000	514,870
Dominican Republic	321,857	222,723
Mexico	284,628	589,591
Nicaragua	22,000	25,897
Haiti	26,567	37,005
Netherlands	6,129	5,851
China (Taiwan)	6,258	166,048
Panama	6,258	6,020
Costa Rica	6,267	26,282
Canada	1,657	1,266
United Kingdom	1,355	1,034
Belgium	478	1,453
Hong Kong	8	27
Federation of West Indies and British Guiana	92,765	265,923
Brazil	100,347	306,474
El Salvador	6,000	12,000
Guatemala	6,000	17,000
Australia	----------	90,000
Colombia	----------	46,000
Ecuador	----------	36,000
French West Indies	----------	75,000
India	----------	175,000
Paraguay	----------	5,000
Total	1,200,000	3,117,195
Not authorized for purchase	235,900	180,000
Total subject to sec. 408(B) of act	1,435,900	3,297,195

TABLE 2(b).—*Status of 1961 sugar quotas as of Dec. 31, 1961*

Area	Quota	Credit for drawback of duty	Charge to quota and offset to drawback of duty [1]		Unfilled balance	
			Total	Direct-consumption [2]	Total	Direct-consumption [2]
	Short tons, raw value					
Domestic beet	2,609,170	----------	2,608,000	----------	1,170	----------
Mainland cane	715,000	----------	750,000	----------	0	----------
Hawaii [3]	1,030,000	----------	1,044,936	78	0	0
Puerto Rico [3]	980,000	----------	[4] 980,148	148,146	0	0
Virgin Islands	17,330	----------	16,184	----------	1,146	0
Republic of the Philippines	980,000	----------	962,651	47,044	17,349	12,876
Cuba	----------	----------	----------	----------	----------	----------
Other foreign countries	371,305	1,188	364,011	66,453	9,071	3,220
Total quotas	6,702,805	1,188	6,725,930	261,721	28,736	16,096
Subject to sec. 408(b) of act	3,297,195	----------	----------	----------	----------	----------
Allocated	[5] 3,117,195	----------	----------	----------	----------	----------
Unallocated	[5] 180,000	----------	----------	----------	----------	----------
Total requirements	10,000,000	----------	----------	----------	----------	----------
Details of other foreign countries:						
Peru	121,507	601	122,692	10,896	0	0
Dominican Republic	111,157	452	111,601	9,686	8	[6] 8
Mexico	95,409	----------	92,850	14,996	2,559	2,559
Nicaragua	17,471	16	11,289	11,289	6,198	347
Haiti	8,268	119	8,087	5,396	300	300
Netherlands	4,149	----------	4,144	4,144	5	[6] 5
China	3,980	----------	3,980	678	0	0
Panama	3,980	----------	3,980	3,980	0	0
Costa Rica	3,968	----------	3,973	3,973	0	0
Canada	631	----------	631	631	0	[6] 0
United Kingdom	516	----------	516	516	0	[6] 0
Belgium	182	----------	182	182	0	[6] 0
British Guiana	84	----------	83	83	1	1
Hong Kong	3	----------	3	3	0	[6] 0
Total	371,305	1,188	[7] 364,011	66,453	9,071	3,220
	Liquid sugar [8] (wine gallons of 72 percent total sugar content)					
Cuba	----------	----------	----------	----------	----------	----------
Dominican Republic	830,894	----------	830,894	----------	0	----------
Federation of the West Indies	300,000	----------	----------	----------	300,000	----------

[1] These data include the following: (*a*) Domestic beet and mainland cane sugar partly estimated, (*b*) all other sugar entered or authorized as of Dec. 31, 1961.

[2] Includes raw sugar for direct-consumption from the Philippines 11,337, Haiti 5,396, and Hawaii 78, total 16,811.

[3] Despite deficits declared, full quotas remained available as follows: Hawaii 1,215,410 and Puerto Rico 1,270,865.

[4] In addition, 202 tons of raw and 40 tons of direct-consumption sugar were brought in for subsequent return to Puerto Rico.

[5] For status see table 16.

[6] Sugar held in customs custody pending availability of quota: Belgium 1,668, Canada 503, Hong Kong 44, Netherlands 7,372 and the United Kingdom 3,222. Held for quota-exempt purposes, 9,669 from the Dominican Republic.

[7] Under sec. 212(1) charges to quota exclude 2 tons from Sweden, 10 tons from France, Germany, Ireland, Poland, South Africa, and from each country listed.

[8] Under sec. 212(3) 540 gallons were entered from Australia, 2,466 from France, 899 from Italy, 17,098 from the United Kingdom, 447 from Poland, 1,949 from West Germany, and 225 from Hong Kong.

TABLE 2(c).—*Status of 1961 nonquota purchase sugar as of Dec. 31, 1961* [1]

[Short tons, raw value]

Country	January–March, authorized for entry		April–December		
	Further processing	Direct consumption	Authorized for purchase	Authorized for entry	Unfilled balance
Dominican Republic	221,796	0	0	0	0
Peru	203,063	0	299,870	300,674	0
Mexico	191,168	0	398,423	389,792	8,631
Philippines	122,683	0	368,048	269,830	98,218
Nicaragua	14,974	0	9,897	4,604	5,293
China (Formosa)	11,503	0	154,543	154,543	[2] 0
Brazil	11,402	0	295,000	295,000	[2] 0
Federation of the West Indies and British Guiana	10,152	0	255,755	255,693	62
Colombia	6,007	0	40,000	40,042	0
Ecuador	5,989	0	30,000	30,000	0
El Salvador	2,000	0	10,000	9,467	533
Guatemala	----------	1,991	15,000	7,618	7,382
Costa Rica	----------	1,161	24,774	24,754	20
Panama	----------	970	4,515	[3] 2,188	2,327
Netherlands	----------	1,450	4,388	[3] 4,388	0
Canada	----------	1,265	0	----------	----------
United Kingdom	----------	1,034	0	----------	----------
Haiti	429	----------	36,572	36,572	0
Belgium	----------	357	1,092	[3] 1,092	0
Hong Kong	----------	6	19	[3] 11	8
French West Indies	----------	----------	75,000	75,000	0
Australia	----------	----------	90,000	90,055	0
Paraguay	----------	----------	5,000	3,557	1,443
India	----------	----------	175,000	170,946	4,054
Total	801,166	8,234	2,292,896	2,165,826	127,971

[1] Authorizations exclude 1st 10 tons from Brazil, Colombia, Ecuador, El Salvador, Guatemala, Australia, French West Indies, Paraguay, and India.
[2] Held in customs custody for 1962 release: Brazil 1,712 tons and China 8,899 tons.
[3] All for direct consumption.

COST

As has been pointed out, the objectives of the Sugar Act have been attained at a minimum of cost to the consumer and the taxpayer. The program is financed by a tax of one-half cent per pound raw value on all sugar processed in the United States and on all imported refined sugar. This tax has offset by more than $450 million, the total of all payments to domestic producers plus the cost incurred by the Department of Agriculture in administering the Sugar Act. Table 3 shows the total of such collections by years since the enactment of the Sugar Act in 1937. It is to be noted that the collections do not include tariff duties, which amount to approximately $37.5 million per year, but only collections from the tax above referred to. Table 4 shows the payments which have been made under the act to the various domestic areas.

TABLE 3.—*Sugar Act tax collections, 1938 to date*

Fiscal year	Sugar tax collections [1]			Fiscal year	Sugar tax collections [1]		
	Excise tax [2]	Import tax [3]	Total		Excise tax [2]	Import tax [3]	Total
1938	$30,569,130	$2,680,298	$33,249,428	1950	$71,188,029	$4,091,155	$75,279,184
1939	65,414,058	3,494,627	68,908,685	1951	80,191,884	3,613,479	83,805,363
1940	68,145,358	5,456,207	73,601,565	1952	78,473,191	3,621,210	82,094,401
1941	74,834,839	4,859,760	79,694,599	1953	78,129,860	5,005,959	83,135,819
1942	68,229,803	4,088,963	72,318,766	1954	73,885,000	4,498,368	78,383,368
1943	53,551,777	3,520,064	57,071,841	1955	78,512,000	4,177,097	82,689,097
1944	68,788,910	5,097,940	73,886,850	1956	82,894,000	4,806,321	87,700,321
1945	73,293,966	3,522,414	76,816,380	1957	86,091,000	4,305,501	90,396,501
1946	56,731,986	3,231,592	59,963,578	1958	85,911,000	4,957,798	90,868,798
1947	59,151,922	5,115,447	64,267,369	1959	86,378,000	5,683,187	92,061,187
1948	71,246,834	3,284,502	74,531,336	1960	89,856,000	5,099,473	94,955,473
1949	76,174,356	4,698,867	80,873,223	1961	91,818,000	[4] 2,800,000	94,618,000

[1] Imposed at a rate of 0.465 cent per pound on sugar testing 92 sugar degrees and for each additional sugar degree 0.00875 cent per pound additional (equivalent to 0.50 and 0.535 cent per pound on sugar testing 96 and 100 sugar degrees, respectively). On sugar testing less than 92 sugar degrees the rate is 0.5144 cent per pound of the total sugar content.
[2] Collected by the Internal Revenue Service on all sugar processed or refined in the United States.
[3] Collected by the Collector of Customs on direct-consumption sugar imported into the United States.
[4] Estimate.

TABLE 4.—*Sugar Act payments, by areas, 1937 to date* [1]

Crop year	Sugar beet	Mainland cane	Hawaii	Puerto Rico	Virgin Islands	Total
1937	$17,136,667	$5,355,774	$4,174,800	$9,502,122	----------	$36,169,363
1938	22,073,345	6,311,779	8,594,431	8,871,084	----------	45,850,639
1939	21,371,789	5,448,583	8,975,615	10,617,743	----------	46,413,730
1940	23,262,539	3,887,750	8,851,542	9,566,735	----------	45,568,566
1941	18,991,929	4,561,504	8,594,533	11,231,588	----------	43,379,554
1942	29,770,909	6,955,080	8,147,494	13,122,990	$26,320	58,022,793
1943	17,602,914	7,392,119	8,250,816	12,214,038	56,362	45,516,249
1944	18,632,477	6,646,061	8,210,656	13,061,033	41,380	46,591,607
1945	22,911,916	6,839,763	8,065,079	13,271,249	56,027	51,144,034
1946	27,735,230	6,536,104	6,574,448	15,060,552	66,758	55,973,092
1947	32,259,930	6,260,340	8,109,124	15,492,292	43,684	62,165,370
1948	23,206,938	7,202,755	7,628,611	17,667,677	64,142	55,770,123
1949	26,581,945	7,087,424	8,437,619	17,531,629	65,586	59,704,203
1950	33,744,012	7,826,663	8,471,294	17,148,914	138,510	67,329,393
1951	25,899,661	6,467,908	9,143,041	18,928,168	97,776	60,536,554
1952	24,735,741	7,977,490	9,398,138	16,960,951	145,120	59,217,440
1953	29,974,245	8,607,186	10,155,590	16,698,919	170,844	65,606,684
1954	33,224,656	8,051,294	9,932,469	16,220,824	127,750	67,556,993
1955	29,101,754	7,607,634	10,535,921	15,953,468	135,758	63,334,535
1956	31,287,969	7,330,693	10,179,146	14,683,659	167,144	63,648,611
1957	36,355,435	7,258,246	10,052,121	13,516,077	193,311	67,375,190
1958	36,216,238	7,397,473	7,430,289	14,873,728	124,999	66,042,677
1959	38,906,856	7,892,899	9,292,790	14,207,621	163,872	70,464,038
1960	[2] 40,377,521	8,167,759	9,779,433	[2] 15,535,968	124,897	72,985,573

[1] Includes abandonment and deficiency payments.
[2] Estimate.

PRICES

An outstanding feature of the U.S. sugar program is the price stability it has brought to our domestic sugar market. Although there are fluctuations, they are within a rather narrow range—reducing uncertainties and inventory problems for consumers. Industrial users of sugar are not compelled to carry excessive sugar stocks as a hedge against a sudden large price rise, nor do they fear that the value of the working stocks they have on hand will suddenly shrink. Similarly, the American housewife can reach for sugar on her grocer's shelf with confidence not only that it will be there but also that the cost will continue to be a negligible item in the family food budget. Both

the industrial user and the housewife know that the price of sugar in the United States is not only stable, but it is also reasonable by any fair standard of measurement.

This has not always been the case, as is demonstrated by table 5, which shows the retail price of refined sugar from 1913 until shortly after the effective date of the 1937 Sugar Act. In June 1920, sugar reached a price of 26.7 cents per pound, and the whole period 1913–20 was marked by steady increases in sugar prices, combined with violent fluctuations. Fluctuations continued during the 1920's with a generally descending trend in prices but with prices for the first 7 years substantially above a reasonable level, as compared to the general price structure and the price of other foods. It will be noted also that even in the depression years of the early 1930's, sugar prices did not respond downward along with all other prices and the price of sugar was relatively high compared both to the general price level and consumer income.

TABLE 5.—*Refined sugar, retail price per pound, by months, 1913–40*

[Cents per pound]

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual average
1913	5.8	5.5	5.4	5.4	5.4	5.3	5.5	5.6	5.7	5.5	5.4	5.4	5.5
1914	5.2	5.2	5.1	5.0	5.0	5.1	5.2	7.9	8.0	7.2	6.2	6.1	5.9
1915	6.0	6.5	6.6	6.7	6.8	6.9	7.0	6.7	6.5	6.1	6.6	6.8	6.6
1916	6.7	6.9	7.5	8.0	8.6	8.7	8.8	8.5	7.7	8.2	8.6	8.3	8.0
1917	8.0	8.1	8.8	9.6	10.1	9.4	9.2	10.0	9.9	9.8	9.6	9.5	9.3
1918	9.5	10.6	9.2	9.1	9.1	9.1	9.2	9.3	9.6	10.6	10.8	10.8	9.7
1919	10.8	10.7	10.6	10.6	10.6	10.6	10.9	11.1	11.0	11.4	12.5	14.5	11.3
1920	17.8	18.8	18.7	20.2	25.4	26.7	26.5	22.9	18.3	13.9	12.8	10.5	19.4
1921	9.7	8.9	9.7	9.7	8.4	7.8	7.1	7.5	7.3	6.9	6.7	6.5	8.0
1922	6.2	6.4	6.5	6.7	6.6	7.1	7.6	8.1	7.9	7.9	8.1	8.3	7.3
1923	8.1	8.5	10.0	10.3	10.9	10.9	10.3	9.4	9.4	10.4	10.0	10.2	9.9
1924	10.0	10.1	10.2	9.7	9.0	8.1	8.2	8.0	8.4	8.6	8.6	8.5	9.0
1925	7.9	7.5	7.4	7.3	7.0	6.9	6.8	6.8	6.8	6.6	6.4	6.6	7.0
1926	6.5	6.6	6.5	6.5	6.6	6.8	6.8	6.8	6.8	7.0	7.0	7.1	6.8
1927	7.4	7.3	7.3	7.1	7.1	7.2	7.2	7.1	7.1	7.1	7.0	7.0	7.2
1928	7.0	7.0	7.0	7.0	7.1	7.1	7.1	6.9	6.9	6.8	6.7	6.6	6.9
1929	6.6	6.5	6.3	6.3	6.3	6.2	6.3	6.5	6.6	6.6	6.6	6.5	6.4
1930	6.5	6.4	6.3	6.2	6.2	6.0	6.0	5.9	5.8	5.7	5.8	5.8	6.1
1931	5.8	5.8	5.7	5.6	5.5	5.4	5.5	5.6	5.6	5.5	5.5	5.4	5.6
1932	5.3	5.3	5.2	5.0	4.9	4.8	4.9	5.0	5.0	5.1	5.0	5.0	5.0
1933	5.0	4.9	5.0	5.0	5.2	5.3	5.4	5.6	5.6	5.6	5.6	5.5	5.3
1934	5.4	5.4	5.4	5.4	5.4	5.4	5.7	5.7	5.7	5.7	5.6	5.5	5.5
1935	5.4	5.4	5.4	5.4	5.6	5.7	5.8	5.8	5.8	5.8	5.9	5.8	5.7
1936	5.7	5.6	5.5	5.5	5.6	5.6	5.7	5.7	5.6	5.6	5.5	5.5	5.6
1937	5.6	5.7	5.7	5.7	5.7	5.6	5.5	5.5	5.7	5.8	5.6	5.6	5.6
1938	5.5	5.6	5.5	5.4	5.4	5.3	5.3	5.2	5.1	5.1	5.2	5.2	5.3
1939	5.2	5.1	5.1	5.1	5.1	5.2	5.2	5.2	6.4	6.2	5.8	5.6	5.4
1940	5.4	5.3	5.3	5.3	5.2	5.2	5.2	5.1	5.1	5.1	5.1	5.1	5.2

Table 6 shows the price behavior of sugar since the effective date of the 1937 Sugar Act. Prices shown here are wholesale prices for refined sugar in New York. Column 1 shows the actual cash price of refined sugar which increased from 4.48 cents per pound in 1938 to 9.21 cents per pound in 1961. Columns 2 and 3 show the index of prices of all foods and of per capita disposable income, respectively, and it will be noted that both of these categories have increased substantially more than the price of sugar. Column 4 shows that in comparison to the price of all foods, and of disposable income, sugar is substantially cheaper today than it was at the start of the sugar quota program. Related to the price of all foods, sugar was 4.82 cents per pound in 1939 and only 4.15 cents per pound in 1961. Related to

disposable personal income, sugar was 4.57 cents per pound in 1938 and was down to 2.38 cents per pound in 1961.

TABLE 6.—*Wholesale prices of sugar (actual and adjusted), prices of all goods, per capita disposable income, and sugar distribution*

Year	(1) Sugar price, net cash, New York (cents per pound)	(2) Prices of all foods (wholesale) (index numbers, 1935–39=100)	(3) Per capita disposable income (index numbers, 1935–39=100)	(4) Sugar prices adjusted for change in—		(5) Sugar distribution	
				Prices of all foods (cents per pound)	Per capita disposable income (cents per pound)	Total (1,000 short tons, raw value)	Per capita (pounds, raw value)
1938	4.48	93	98	4.82	4.57	6,643	102
1939	4.58	89	105	5.15	4.36	6,868	105
1940	4.33	90	112	4.81	3.87	6,891	104
1941	4.92	105	136	4.69	3.62	8,069	[1] 121
1942	5.45	126	169	4.33	3.22	5,466	[1] 81
1943	5.49	135	190	4.07	2.89	6,335	93
1944	5.46	133	206	4.11	2.65	7,147	103
1945	5.39	134	209	4.02	2.58	6,041	86
1946	6.34	165	221	3.84	2.87	5,621	80
1947	8.12	206	230	3.94	3.53	7,448	103
1948	7.60	222	251	3.42	3.03	7,343	100
1949	7.81	202	247	3.87	3.16	7,580	102
1950	7.84	207	266	3.79	2.95	8,279	109
1951	8.21	232	287	3.54	2.86	7,737	100
1952	8.45	229	296	3.69	2.85	8,104	103
1953	8.55	219	308	3.90	2.78	8,485	106
1954	8.55	218	308	3.92	2.78	8,207	101
1955	8.42	212	323	3.97	2.61	8,399	102
1956	8.59	212	339	4.05	2.53	8,904	106
1957	8.97	218	351	4.11	2.56	8,734	102
1958	9.08	230	355	3.95	2.56	9,030	104
1959	9.14	219	371	4.17	2.46	9,181	104
1960	9.24	223	379	4.14	2.44	9,261	103
1961	9.21	222	387	4.15	2.38	9,595	105

[1] Unusually large distribution during 1941 resulted in building up of the "invisible" supply carried over in 1942 and a considerable amount of sugar distributed during 1941 was actually consumed during 1942.

A comparison of recent retail prices in the United States with those in other countries points up the fairness of sugar prices to American consumers and the effectiveness of our program under the Sugar Act. Such a comparison of prices is included in a study recently published by the Food and Agriculture Organization of the United Nations in its Monthly Bulletin of Agricultural Economics and Statistics for January 1960. This report shows that the average retail price of sugar in the United States—11 cents a pound in 1957, when the study was begun—is nearly 5 cents below the median price in 121 nations around the globe.

Measuring the retail price of sugar on the basis of wage rates, sugar prices in the United States are the lowest in the world. Two independent studies, one by the National Industrial Conference Board and one by the FAO, referred to above, show that an American workman needs to spend less time at his job than a workman in any other nation in order to earn enough money to buy a pound of sugar. Table 7 is from the study conducted by the FAO. It shows that in 1946, a bricklayer in the United States needed to work only 4 minutes to buy 1 kilogram (2.2 pounds) of sugar. In contrast, a kilo of sugar took 20 minutes' work in the United Kingdom, 24 minutes in France, 34

minutes of work in the Netherlands, and 82 minutes of work in Italy. Not shown on the table is the U.S.S.R., where it takes an estimated 324 minutes of work to buy a kilogram of sugar.

TABLE 7.—*Sugar—Worktime cost of sugar and order of consumption, worktime cost and money cost, in specified countries, 1956*

Countries	Currency	October 1956		Worktime cost (minutes)	Consumption order [1]	Worktime cost order	Money cost order (U.S. (dollars)
		Hourly wage for bricklayers	Retail price of sugar in national currency				
United States	Dollars	3.65	0.233	4	53	1	38
Canada	do	2.26	.205	5	50	2	27
Sweden	Krona	9.74	1.18	7	49	3	40
Union of South Africa	Pence	88.50	11.02	8	42	4	8
Denmark	Ore	678.00	106.50	9	56	5	13
Norway	Krone	7.20	1.18	10	51	6	17
Iceland	do	21.89	3.59	10	57	7	33
Australia	Pence	113.00	20.13	11	54	8	21
Israel	Prutot	1,178.00	270.00	13	30	9	11
Malta	Pence	22.00	5.04	13	38	10	1
New Caledonia	Franc	75.00	16.00	13	45	11	41
Netherlands Antilles	Florin	1.50	.40	16	36	12	26
Uruguay	Peso	2.15	.56	15	40	13	10
New Zealand	Pence	72.20	19.47	16	52	14	35
Switzerland	Franc	3.17	.94	18	47	15	34
Ireland	Pence	51.50	15.43	18	48	16	16
British Guiana	Cent	49.00	16.53	20	43	17	3
United Kingdom	Shilling	4.29	1.43	20	55	18	28
Chile	Peso	120.00	43.60	22	29	19	2
Argentina	do [2]	10.00	4.00	24	33	20	6
France	Franc [3]	252.00	100.60	24	26	21	46
Fiji	Pence	23.00	98.92	26	35	22	5
Belgium	Franc	23.58	10.85	27	28	23	30
Cyprus	Piaster	28.30	13.04	28	21	24	23
Trinidad	Cent [2]	44.00	21.40	29	37	25	7
Malaya	do	113.00	58.00	31	25	26	22
Germany, West	Mark	2.31	1.24	32	27	27	47
Morocco	Franc	175.00	94.00	32	34	28	43
Jamaica	Shilling [2]	2.41	1.33	33	31	29	19
Netherlands	Florin	1.37	.78	34	46	30	24
Finland	Markka	164.00	100.40	37	44	31	57
Grenada	Cent	50.00	32.00	38	32	32	20
Lebanon	Piaster	100.00	65.00	29	18	33	29
Guatemala	Centavo	25.00	17.40	42	23	34	15
Mauritius	Cent	66.00	46.00	42	41	35	4
Tunisia	Franc	116.20	92.00	47	20	36	42
Austria	Schilling	7.45	5.96	48	39	37	36
Taiwan	Dollar	5.50	4.50	49	12	38	25
Hong Kong	do	1.10	.97	53	24	39	14
French West Africa	Franc	59.40	53.50	54	9	40	48
Spain	Peseta	12.00	11.00	55	13	41	45
Portugal	Escudo	5.44	5.30	58	16	42	18
St. Lucia	Cent	27.50	26.50	58	22	43	12
Paraguay	Guarani	13.80	14.00	60	15	44	9
Nigeria	Pence	18.00	18.74	62	1	45	31
Sierra Leone	do	18.30	19.86	65	6	46	37
Japan	Yen [3]	125.00	137.33	66	14	47	52
Italy	Lire	193.00	263.00	82	17	48	55
Vietnam	Piaster	9.87	14.50	88	5	49	54
Madagascar	Franc	41.00	60.00	88	7	50	51
Cameroons (French administration).	do	38.00	60.00	95	2	51	50
Belgian Congo	do	6.60	11.00	100	3	52	32
Pakistan	Rupee [3]	.69	1.21	105	10	53	44
Greece	Drachma	6.42	11.56	108	11	54	53
French Equatorial Africa	Franc	35.00	74.00	127	4	55	56
Thailand	Baht	2.15	4.63	129	8	56	39
Ceylon	Rupee [4]	.57	1.48	156	19	57	49

[1] Including noncentrifugal sugar at 60 percent of the actual weight for Malaya, Guatemala, Taiwan, Japan, Vietnam, Pakistan, and Thailand.
[2] Carpenters.
[3] Transport drivers.
[4] The relation of bricklayers' wages to other wages in Ceylon seems to be different from those in almost all other countries; this makes the data questionable.

THE WORLD MARKET AND WORLD PRICE OF SUGAR

With the recent interest that has focused on the Sugar Act, there is an awareness that the domestic raw cane sugar price has normally been much higher than the so-called world market price for that commodity. Actually the terms "world price" and "world market" do not relate to a price or to market conditions typically prevailing throughout most of the world. On the contrary, these terms relate to the price and conditions under which residual quantities of sugar are traded. Only about 17 percent of the world's sugar production is traded on the "world market" and since this is essentially "surplus" or "homeless" sugar, it does not establish a true world price nor reflect the actual value of sugar.

World consumption of sugar now amounts to about 57.5 million tons a year. Of this amount, about 40 million tons are consumed in the countries where it is produced. In nearly all instances, as in the United States, because of the essentiality of the product, it is produced under some kind of national control, bounty, or subsidy system. This leaves about 17.5 million tons to be consumed outside the countries of production. Published world sugar trade statistics show exports to be 19 million tons, but these figures include substantial reexports of sugar previously imported into several European countries for refining. Of the 17.5 million tons moving outside the countries or areas where produced, some 8 million tons move from French and Portuguese oversea areas to the mother countries, or they are traded under the preferential terms and provisions of the Commonwealth Sugar Agreement and the U.S. sugar program. This leaves not quite 10 million tons for trading in the so-called world market. Roughly half of that total is Cuban sugar exported to Communist bloc countries for barter at a negotiated nominal price.

Thus, the world free market, exclusive of Cuban bartering with the bloc, is a 5-million-ton residual. Since world production usually tends to exceed world consumption, the world market is normally a very depressed market. However, because of the very character of this so-called world market, it is an extremely volatile market reacting sharply to international tensions or to changes in supply and demand. For example, during the disturbed situation brought on by the Suez crisis and the events in Hungary 5 years ago, the price on this market nearly doubled in 60 days. Throughout the latter half of 1950 and almost all of 1951, this so-called world price was higher than the price of sugar destined for the United States, reaching a differential above the U.S. price of 1.85 cents per pound in June 1951. A similar situation prevailed in the 1957 period above referred to when the world price went from $2.07 per hundred pounds below the U.S. price in October 1956 to $1.34 above the U.S. price in April 1957.

The assumption, therefore, that the United States could import a large part of its sugar requirements at the present, very low world market price is not necessarily valid. Since we would not buy from an unfriendly Cuban regime with which we maintain no diplomatic relations, the supply of foreign sugar available to us would be limited not only under our own program, whatever exact form that would take, but also by the actually available supply. In other words, there would be a realinement of markets and the combination of the non-bloc world market with the U.S. import market might result in a price level higher than the present world market price.

The excess of world sugar production in most recent years has resulted in generally increasing world inventories with substantial interruptions due to special demand situations, described above, and crop reverses in major producing areas. The changes in inventories are large, indeed, in relation to the restricted "world market" demand and their effect on "world" prices is correspondingly acute. Table 8 indicates the level and fluctuations in world inventories.

TABLE 8.—*Centrifugal sugar (raw value): Stocks beginning of new grind, in 40 selected countries, average 1950–51 through 1954–55, annual 1955–56 through 1960–61*

[Thousand short tons]

County	Date [1]	Sugarmaking season						
		Average, 1950–51 through 1954–55	1955–56	1956–57	1957–58	1958–59	1959–60	1960–61 [2]
Argentina	May 1	[3] 82	219	107	62	24	163	356
Indonesia	do	[3] 19	39	29	25	22	88	61
Brazil	June 1	207	255	180	441	424	622	670
Fiji	do	2	1	3	2	3	26	65
Mauritius	do	----------	3	5	4	1	7	--------
Paraguay	do	----------	4	0	0	4	12	5
Union of South Africa	do	43	46	50	34	74	116	50
Australia	July 1	130	135	163	195	157	179	211
British Guiana	Aug. 1	----------	12	5	6	16	4	4
Finland	do	9	33	38	37	46	79	55
Italy	do	138	208	566	257	105	252	700
Canada	Sept. 1	58	56	82	76	62	89	66
Hungary	do	41	94	26	28	28	--------	--------
United Kingdom	do	846	917	651	629	506	479	518
Venezuela	do	20	23	101	117	58	57	66
Belgium	Oct. 1	42	21	24	15	24	40	21
Costa Rica	do	----------	7	6	9	14	21	11
Denmark	do	24	15	21	25	33	127	74
France	do	110	225	103	78	88	147	203
Germany, West	do	147	174	187	275	187	593	363
Ireland	do	[4] 28	[4] 49	[4] 37	--------	17	35	32
Japan	do	[5] 97	[5] 32	[5] 28	124	150	149	136
Netherlands	do	55	24	34	89	78	161	69
Philippines	do	46	173	148	82	98	274	312
Sweden	do	105	134	129	85	92	165	160
United States and insular areas	do	----------	1,597	1,338	1,183	1,183	1,548	1,275
Dominican Republic	Nov. 1	53	103	158	20	93	231	226
El Salvador	do	----------	9	8	6	2	2	1
Guatemala	do	----------	--------	9	13	13	6	--------
India	do	246	689	663	550	397	169	540
Mexico	do	165	347	150	295	336	503	553
Taiwan	do	59	71	176	116	83	155	60
British East Africa	Jan. 1	[6] 10	10	25	27	20	23	18
Cuba	do	1,357	1,786	703	750	603	1,347	1,209
Federation of West Indies	do	----------	78	8	6	15	19	51
Haiti	do	2	5	3	1	3	8	1
Nicaragua	do	3	3	--------	--------	4	8	--------
Panama	do	2	--------	1	--------	[7] 1	[7] 2	1
Peru	do	101	87	143	95	128	106	84
Thailand	do	[8] 33	9	20	13	[9] 21	[9] 10	[9] 24
Total [10]	----------	5,440	7,700	6,128	5,806	5,213	8,063	8,272

[1] All stock carryover dates, except for Jan. 1, apply to the 1st year mentioned at the head of each column.
[2] Preliminary.
[3] 2-year average, 1953–54, 1954–55.
[4] Sept. 1.
[5] Jan. 1.
[6] 4-year average, 1951 through 1954.
[7] Feb. 1.
[8] 3-year average, 1951 through 1953.
[9] Nov. 1.
[10] Includes estimates for all countries shown in years when stocks are not reported.

NOTE.—Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign sources materials, reports of U.S. agricultural attachés and Foreign Service officers, results of office research, and related information.

THE "QUOTA PREMIUM"

The difference between the so-called world price and the U.S. price has on occasions been called the quota premium, or more popularly the subsidy in our sugar program. This approach is carried even further to say that the amount of protection or subsidy involved in the American sugar program is the amount of the difference between the two prices, multiplied by the amount of sugar purchased. This is an exaggerated statement of the protection afforded by the Sugar Act and is such an oversimplification of a basically complicated economic situation as to be misleading. It is obvious that the amount of the quota premium is not accurately measured by the difference between the U.S. price and the so-called world price with the Sugar Act in effect. The amount of the quota premium could more nearly be measured by calculating the difference between the price received by supplying areas now shipping to us under our quota program and the price they would receive in sales to us if we had no quota program.

Even under the orderly marketing situation brought about by our Sugar Act, the so-called quota premium has not been a one-way street. Through mid-1960, Cuba was the principal foreign beneficiary of the "quota premium" and, in turn, during that period the supplies needed from Cuba were made available without interruption. Table 9 shows this relationship on a yearly average basis from 1934 through 1947. Table 10 shows the same relationship, in slightly different form, by months for the years 1948–61.

During the war and immediate postwar years of the 1940's, the United States purchased virtually the entire Cuban sugar production. As is indicated by the last column on table 9, we obtained this sugar (and also the sugar purchased from domestic producing areas) at substantially less than the world price. Table 10 shows the months during the Korean conflict and during the Suez incident when the world price was higher than the U.S. price.

TABLE 9.—*Quota premiums and discounts: Comparison of Cuban price, per pound, of sugar for shipment to United States and world market, annual average, 1934–47*

[Cents]

Year and month	U.S. price c.i.f. basis New York	Freight and insurance, Cuba to New York	Price for shipment to—		Difference, U.S. price from world price
			United States	World market	
1934	1.50	0.13	1.37	0.91	0.46
1935	2.33	.12	2.21	.88	1.33
1936	2.69	.13	2.56	.88	1.68
1937	2.54	.19	2.35	1.13	1.22
1938	2.04	.14	1.90	1.00	.90
1939	1.91	.17	1.74	1.43	.31
1940	1.89	.22	1.67	1.11	.56
1941	2.48	.39	2.09	1.46	.63
1942	2.99	.51	2.48	2.69	−.21
1943	2.99	.53	2.46	2.69	−.23
1944	2.99	.40	2.59	2.69	−.10
1945	3.00	.35	2.65	3.14	−.49
1946	3.86	.44	3.42	4.24	−.82
1947	5.46	.49	4.97	5.03	−.06

TABLE 10.—*Quota premiums and discounts—Comparison of price of raw sugar for shipment to the United States and to world markets*

FOR SHIPMENT TO UNITED STATES [1]

[Cents per pound]

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Monthly average
1948	4.68	4.57	4.50	4.45	4.25	4.44	4.79	4.87	4.78	4.77	4.80	4.75	4.64
1949	4.78	4.72	4.77	4.73	4.89	4.97	4.96	5.05	5.20	5.21	5.12	4.94	4.94
1950	4.91	4.75	4.70	4.68	4.87	4.95	5.22	5.39	5.40	5.41	5.38	5.39	5.09
1951	5.12	4.95	4.92	4.86	5.38	5.56	5.29	5.03	5.02	4.94	4.98	4.78	5.07
1952	4.82	4.79	5.18	5.33	5.29	5.53	5.61	5.58	5.67	5.72	5.55	5.17	5.35
1953	5.19	5.31	5.45	5.45	5.46	5.52	5.56	5.55	5.59	5.57	5.29	5.15	5.43
1954	5.15	5.18	5.29	5.28	5.22	5.28	5.32	5.23	5.14	5.11	5.25	5.02	5.21
1955	5.01	5.00	4.91	4.91	5.04	5.10	5.08	5.06	5.02	5.03	4.94	4.87	5.00
1956	4.93	4.94	5.01	5.01	5.01	5.01	5.10	5.10	5.11	5.31	5.34	5.34	5.10
1957	5.31	5.07	5.15	5.12	5.41	5.59	5.52	5.24	5.30	5.36	5.27	5.30	5.30
1958	5.31	5.31	5.18	5.35	5.41	5.41	5.43	5.42	5.52	5.59	5.46	5.55	5.41
1959	5.27	5.13	4.97	5.01	5.38	5.41	5.41	5.51	5.65	5.68	5.53	5.23	5.35
1960	4.95	5.06	5.14	5.20	5.14	5.31	5.54	5.53	5.65	5.58	5.60	5.52	5.35
1961	5.47	5.42	5.37	5.34	5.53	5.53	5.43	5.09	5.10	5.23	5.33	5.44	5.36
FOR SHIPMENT TO WORLD [2]													
1948	3.96	4.24	4.26	4.43	4.27	4.06	4.10	4.41	4.39	4.32	4.27	4.03	4.23
1949	4.00	3.95	4.17	4.09	4.04	4.08	4.13	4.20	4.19	4.33	4.33	4.39	4.16
1950	4.62	4.47	4.44	4.37	4.21	4.21	4.89	5.83	5.88	5.84	5.58	5.36	4.98
1951	5.22	4.96	5.48	5.57	6.62	7.41	6.75	5.61	5.52	5.28	4.83	4.84	5.67
1952	4.54	4.38	4.30	4.30	4.24	4.17	4.16	4.05	4.00	4.01	4.00	3.84	4.17
1953	3.55	3.52	3.27	3.38	3.65	3.62	3.60	3.53	3.29	3.15	3.10	3.27	3.41
1954	3.30	3.39	3.28	3.36	3.32	3.27	3.13	3.18	3.21	3.25	3.26	3.19	3.26
1955	3.17	3.17	3.22	3.31	3.38	3.26	3.22	3.22	3.27	3.28	3.19	3.16	3.24
1956	3.26	3.28	3.34	3.31	3.36	3.36	3.40	3.34	3.24	3.24	3.92	4.77	3.48
1957	5.83	5.80	6.17	6.46	6.02	6.12	5.27	4.13	4.55	4.03	3.63	3.87	5.16
1958	3.74	3.55	3.42	3.45	3.47	3.42	3.50	3.46	3.48	3.41	3.42	3.64	3.50
1959	3.27	3.11	3.05	2.88	2.94	2.81	2.66	2.78	3.09	3.10	2.96	3.00	2.97
1960	2.97	3.02	3.05	3.04	3.05	2.97	3.26	3.31	3.25	3.25	3.25	3.25	3.14
1961	3.03	2.97	2.97	3.14	3.35	3.20	3.05	2.80	2.69	2.73	2.53	2.46	2.91
DIFFERENCE, U.S. PRICE FROM WORLD PRICE [3]													
1948	+0.72	+0.33	+0.24	+0.02	−0.02	+0.38	+0.69	+0.46	+0.39	+0.45	+0.53	+0.72	+0.41
1949	+.78	+.77	+.60	+.64	+.85	+.89	+.83	+.85	+1.01	+.88	+.79	+.55	+.78
1950	+.29	+.28	+.26	+.31	+.66	+.74	+.33	−.44	−.48	−.43	−.20	+.03	+.11
1951	−.10	−.01	−.56	−.71	−1.24	−1.85	−1.46	−.58	−.50	−.34	+.15	−.06	−.60
1952	+.28	+.41	+.88	+1.03	+1.05	+1.36	+1.45	+1.53	+1.67	+1.71	+1.55	+1.33	+1.18
1953	+1.64	+1.79	+2.18	+2.07	+1.81	+1.90	+1.96	+2.02	+2.30	+2.42	+2.19	+1.88	+2.02
1954	+1.85	+1.79	+2.01	+1.92	+1.90	+2.01	+2.19	+2.05	+1.93	+1.86	+1.99	+1.83	+1.95
1955	+1.84	+1.83	+1.69	+1.60	+1.66	+1.84	+1.86	+1.84	+1.75	+1.75	+1.75	+1.71	+1.76
1956	+1.67	+1.66	+1.67	+1.70	+1.65	+1.65	+1.70	+1.76	+1.87	+2.07	+1.42	+.57	+1.62
1957	−.52	−.73	−1.02	−1.34	−.61	−.53	+.25	+1.11	+.75	+1.33	+1.64	+1.43	+.14
1958	+1.57	+1.76	+1.76	+1.90	+1.94	+1.99	+1.93	+1.96	+2.04	+2.18	+2.04	+1.91	+1.91
1959	+2.00	+2.02	+1.92	+2.13	+2.44	+2.60	+2.75	+2.73	+2.56	+2.58	+2.57	+2.23	+2.38
1960	+1.98	+2.04	+2.09	+2.16	+2.09	+2.34	+2.28	+2.22	+2.40	+2.33	+2.35	+2.27	+2.21
1961	+2.44	+2.45	+2.40	+2.20	+2.18	+2.33	+2.38	+2.29	+2.41	+2.50	+2.80	+2.98	+2.45

[1] Prices for 1948–60 represent spot prices for sugar in bags under contract No. 6 rolled back to Cuba (minus freight and insurance). Prices for 1961 are spot prices for sugar in bulk under contract No. 7 minus duty (0.625 cent)), computed freight, insurance, and unloading charges, and with the bag allowance of 0.04 cent added.

[2] Spot prices for 1948–60 were spot prices for bagged sugar f.a.s. Cuba, contract No. 4. Prices for 1961 are spot prices under No. 8 contract which is also for bagged sugar but f.o.b. and stowed at Greater Caribbean ports (including Brazil).

[3] Differences between prices for shipment to United States and for shipment to world.

BENEFITS TO DOMESTIC PRODUCERS

Table 11 shows the details of the manner in which the Sugar Act has achieved one of its three basic objectives—that of assuring, as a matter of national security, the production of a substantial portion of our sugar requirements in domestic areas. This table shows, by areas, for the years 1955 through 1959 the acreage, production, and deliveries of sugar, the extent to which the various areas have filled

their assigned quotas, and the rate of Sugar Act payments to producers in those areas.

TABLE 11.—*Selected data for domestic sugar producing areas, on acreage, production, quotas and payments, 1955–61*

[All tons are raw value]

Domestic area and crop year	Acreage harvested for sugar [1]	Yields of sugar per acre harvested	Production of sugar	Quota charges	Unfilled quota		Jan. 1 effective inventory	Rate of Sugar Act payments per ton of sugar
					Basic	Adjusted		
Sugar beet:	*1,000 tons*	*Tons*	*1,000 tons*	*Tons*	*Tons*	*Tons*	*1,000 tons*	
1955	744	2.33	1,730	1,797,327	2,673	2,673	1,628	$16.82
1956	789	2.50	1,971	1,955,252	0	149	1,547	15.87
1957	882	2.51	2,213	2,065,687	0	5,007	1,529	16.43
1958	895	2.47	2,214	2,239,852	0	52,636	1,669	16.36
1959	898	2.56	2,303	2,241,164	0	26,501	1,638	16.89
1960	962	2.57	2,474	2,164,692	102,609	350,253	1,696	16.32
1961 (estimated)	1,090	2.26	2 458	2,608,000	0	1,170	2,005	16.47
Mainland sugarcane:								
1955	267	2.14	572	498,797	1,203	1,203	396	13.30
1956	233	2.39	557	601,369	0	327	465	13.16
1957	259	2.05	531	635,685	0	1,487	346	13.67
1958	254	2.28	578	680,552	0	40,253	244	12.80
1959	296	2.08	615	577,595	51,204	120,188	140	12.83
1960	304	2.07	630	619,047	78,623	154,826	177	12.97
1961 (estimated)	331	2.54	840	750,000	0	0	185	13.14
Puerto Rico:								
1954–55	361	3.23	[2] 1,166	1,079,562	438	438	163	13.91
1955–56	353	3.26	[2] 1,152	1,134,769	5,484	6,329	138	13.85
1956–57	362	2.73	990	912,571	224,416	7,429	44	14.83
1957–58	328	2.85	934	823,034	343,341	0	6	14.47
1958–59	344	3.16	1,087	957,853	234,645	12,022	7	13.68
1959–60	328	3.11	1,019	895,784	427,327	0	12	13.94
1960–61 (estimated)	340	3.26	1,110	980,000	290,865	0	24	14.00
Hawaii:								
1955	106	10.75	1,140	1,052,004	0	0	6	9.24
1956	107	10.28	1,100	1,091,282	0	23	49	9.25
1957	107	10.14	1,085	1,036,763	50,610	23,237	14	9.26
1958	84	9.11	765	630,175	484,304	69,825	18	9.71
1959	110	8.86	975	976,845	163,617	1,125	114	9.53
1960	104	9.00	936	844,788	420,587	95,656	78	9.38
1961 (estimated)	110	9.93	1,092	1,045,000	170,410	0	122	9.32
Virgin Islands:								
1955	5	2.14	10	9,942	2,058	558	----------	13.28
1956	5	2.69	13	12,535	0	0	----------	12.97
1957	5	3.05	15	14,753	796	0	----------	12.80
1958	4	1.36	6	6,093	9,812	7	----------	20.89
1959	4	2.98	12	12,302	3,959	103	----------	13.06
1960	4	1.57	7	6,954	11,089	1,664	----------	17.92
1961 (estimated)	5	3.68	17	16,184	1,146	1,146	----------	13.07
All domestic areas:								
1955	1,483	3.11	4,618	4,437,632	6,368	6,368	2,193	13.77
1956	1,487	3.22	4,793	4,795,207	6,293	6,293	2,199	13.54
1957	1,615	2.99	4,834	4,665,459	122,291	37,160	1,933	14.18
1958	1,565	2.87	4,497	4,379,706	531,794	154,687	1,937	14.38
1959	1,652	3.02	4,992	4,765,759	255,741	159,939	1,892	14.25
1960	1,702	2.98	5,066	4,531,265	1,040,235	600,235	1,963	14.14
1961 (estimated)	1,876	2.94	5,517	5,399,184	0	0	2,336	14.04

[1] National acreage allocations in years when production was restricted, with acreages planted in parentheses were as follows: Domestic beet sugar area—1955, 850 (793); 1956, 850 (823); 1957, 950 (912); 1958, 935 (927); 1959, 925 (921); 1960, 985 (960); mainland cane sugar area (for sugar and seed)—1955, 299 (285); 1956, 259 (253); 1957, 296 (284); 1958, 292 (276); 1959, 314 (314); 1960, 336 (336).

[2] Individual farm proportionate share established in hundredweight of sugar totaled 1,214,000 tons for 1954–55 crop and 1,222,000 tons for 1955–56 crop.

The Department of Agriculture, which administers the Sugar Act, has prepared and revised from time to time an excellent description and analysis of the U.S. sugar program from the earliest efforts toward such a program up to the present time. It explains in detail the provisions and the operations of the Sugar Act of 1948, as amended. Most of the following discussion is from that document. Briefer discussions of the sugar program are available in the November 1961

issue of "Sugar Reports" issued by the Department of Agriculture and as a separate leaflet of the Agricultural Stabilization and Conservation Service of the Department (BI–No. 19, December 1961).

THE SUPPLY AND DISTRIBUTION SYSTEM

Since the end of sugar rationing in the fall of 1947, sugar deliveries for consumption in the continental United States have tended to increase with the population growth and to be stable on a per capita basis. While annual per capita deliveries fluctuated from 94 to 102 pounds of refined sugar in response to such extraneous factors as the Korean conflict and the Hungarian and Suez crises, the 3-year moving average rate of annual deliveries fluctuated only between 96 and 97 pounds.

Total annual distribution averaged about 8.9 million short tons, raw value,[1] during the latest 3-year cycle; this is equal to about 8.3 million tons of refined sugar. The domestic areas, in total, have been accorded the right to supply approximately 53 percent of the requirements of the continental United States. Until 1960 Cuba furnished about one-third of our needs and the Philippines about 11 percent. About 3 percent is imported from other foreign countries. More than half of the domestically produced sugar is supplied by the mainland cane and beet areas. The remainder comes from Hawaii, Puerto Rico, and a small fraction from the Virgin Islands.

Our supply areas are sufficiently scattered to assure, in the aggregate, a dependable source of supply. There is seldom a year when drought or other natural disaster causes serious crop damage in more than one or two of these areas. This wide dispersion of our sources of supply would also be a protection in case of war.

In the continental United States, sugar beets are produced in 22 Western and North Central States. The most important beet producing States are California, Colorado, and Idaho. Sugarcane is grown in a number of Southeastern and South Central States, but only Louisiana and Florida produce cane for the manufacture of sugar. Cane produced elsewhere is used to make sugarcane sirup.

Most sugar from cane goes through two stages of processing to produce the refined sugar commonly used in American households. The first process, that of extracting, boiling, and otherwise processing the cane juice, is conducted in the producing area in raw canesugar mills. The products obtained are raw sugar, usually in crystalline form and various byproducts such as blackstrap molasses and bagasse. Raw sugar and blackstrap molasses can be used directly without further refining—raw sugar for curing tobacco, for instance, and molasses for cattle feed and the manufacture of ethyl alcohol, yeast, vinegar, and citric acid. Bagasse, the fibrous portion of cane, is used principally as fuel in the cane mills and as raw material in the manufacture of building board, cardboard, and paper.

Most of the cane sugar brought to the mainland from offshore areas, both foreign and domestic, is in the raw form. It is put through the second process—the refining process—in refineries, most of which are located in large port cities. A few refineries, however, are located in producing areas and some are located at interior points of con-

[1] "Raw value" is the term used in the Sugar Act for expressing in a common unit the various types of raw and refined sugars that move in commerce. One tone of refined sugar equals 1.07 tons of sugar, raw value.

sumption. Refined sugars, refiners' sirups, and refiners' blackstrap molasses result from this second process.

In contrast to cane sugar, refined sugar from beets is processed in a single plant. The principal byproducts are beet molasses and beet pulp. The pulp is used for cattle feed. Beet molasses, like blackstrap, is used as an ingredient in cattle feed, and in the manufacture of yeast and citric acid. A substantial quantity of beet molasses is put through the Steffen's process for additional extraction of sugar. The resultant Steffen's waste is used to produce monosodium glutamate, a condiment.

In the domestic areas, 64 beet sugar factories, 108 cane sugar mills, and 33 refineries were in operation in 1958; 13 of the latter were operated as part of or in connection with cane sugar mills. These establishments represent an investment in land, plant, and equipment of approximately two-thirds of a billion dollars. Approximately 63,000 workers are employed in the plants.

About 45,000 domestic farms grow cane or beets. About 220,000 farmworkers are required, mostly on a seasonal basis, to cultivate and harvest the cane and beets. During the early years of this decade, about 300,000 farmworkers were required.

OUR NATIONAL SUGAR POLICY, ITS HISTORY AND DEVELOPMENT

Since the passage of the first Sugar Act in 1934, the sugar policy of the United States has been to maintain a healthy domestic industry of limited size; to promote our general export trade; and to assure adequate sugar supplies to consumers at reasonable and stable prices. This policy did not take shape overnight but emerged after 145 years of congressional decisions and actions affecting the course of the sugar industry.

Tariff for revenue, 1789 to 1890

The foundation of the present-day U.S. sugar program was laid down shortly after this country gained its independence. In 1789 the new Nation, seeking means of supporting its Government, imposed the first tariff on raw sugar,[2] to help raise revenue. At that time and through most of the next century, import duties and domestic excise taxes were the major source of Government receipts. The sugar "tariff for revenue" yielded close to 20 percent of all import duties. This duty remained on sugar continuously until 1890, holding at about 2.5 cents a pound during most of the period but ranging from 1 to 3.5 cents.

Although the purpose of the first sugar tariff was to produce money for the Treasury, it also provided considerable market protection to sugarcane growers in Louisiana after that area became a U.S. territory in 1803. The Louisiana industry had reached significant size by 1830. Later, the same protection was granted to Hawaii under the terms of the Reciprocal Treaty of 1876 between the United States and the Kingdom of Hawaii. Under that treaty, Hawaiian sugar was admitted duty free. With this market advantage, and a climate ideally suited to growing sugarcane, Hawaii rapidly expanded sugar production. By the 1890's the production of sugar had become

[2] The tariff discussion is confined to the tariff on raw sugar, since most of the sugar imported is in raw form. Generally, refined sugar tariffs have been higher than raw sugar tariffs.

Hawaii's most important industry dependent principally on market outlets in this country for its prosperity.

The sugar bounty, 1890-94

In 1890, with a surplus in the Treasury, the need to maintain a raw sugar tariff to produce revenue was no longer pressing and the duty, then 2.25 cents a pound, was repealed. The placing of raw sugar on the free list reduced the cost of sugar to consumers but removed tariff protection to domestic producers. Protection, however, was continued in the form of a 2-cent bounty on each pound of sugar domestically produced.

Removal of the tariff and the inauguration of the bounty had an important effect in two producing areas—Hawaii and Cuba. Production in Cuba was stimulated when removal of the tariff further opened the U.S. market. On the other hand, Hawaii was hurt badly, since it lost its preferred position in the American market when the sugar duty was repealed. The price of Hawaiian sugar fell sharply. Hawaiian sugar producers did not receive the bounty. General unrest followed leading to revolt against the monarchy of Queen Eiliuokalani in 1893 and the establishment of the Republic of Hawaii in 1894.

Tariff for protection, 1894 to 1934

In 1894, the bounty system was discontinued and a new tariff levied on sugar. However, the primary purpose of the new tariff was not to produce revenue as was formerly the case but to protect the domestic industry which had reached significant size under the first tariff and the bounty. An additional motive was to return Hawaii to its preferred status in our market.

The second sugar tariff program remained in force from 1894 to 1934. The history of the sugar industry during that period is a a sequence of stable earnings, wild prosperity, severe but short-lived depression, temporary recovery, and prolonged depression, in that order.

As a result of the Spanish-American War, three potentially heavy sugar-producing areas were added to the areas receiving protection in our market. Free trade was extended to our new possessions, Puerto Rico and the Philippine Islands, and a preferred status was granted to Cuba. Puerto Rico received free trade status in 1901. Tariff aid was given more gradually to the Philippines, but by 1913 Philippine sugar was granted unlimited free entry. Cuba was granted a 20-percent tariff preferential under the Convention of Commercial Reciprocity of 1902.

Production expanded rapidly in these areas with the granting of protection. Cuba and Puerto Rico, like Hawaii, became specialized one-crop areas directly dependent upon the continuation of our protective policy for the livelihood of their people. Sugar also became a mainstay of the Philippine economy, but the industry never reached as dominant a position there as it did in the other areas.

Our beet industry, which got its start under the "tariff for revenue" and the bounty system, also flourished with tariff protection. By the time of World War I, the beet area was supplying almost one-fifth of the sugar marketed in this country.

At the turn of the century slightly more than half of our sugar came from foreign countries other than Cuba. But by 1913 the

increase in sugar supplied in the continental United States, in our territories, and in Cuba had pushed practically all other foreign sugar from our market.

In World War I, the Government placed rigid controls on sugar distribution and on prices of refined sugar. In addition, a price guarantee was placed on Cuban sugar and domestic sugarbeets to encourage production. The beet area responded to wartime price incentives only to maintain production; but Cuba, where sugar offered the principal means of participating in wartime expansion, greatly increased its production.

After World War I, with the lifting of controls and the prospect of short supplies, sugar became one of the speculative leaders in the worldwide inflationary boom of 1920. The world price of raw sugar reached a monthly average peak of more than 19 cents a pound in May 1920. The bubble soon burst and the price of world sugar dropped to an average of less than 5 cents a pound in December 1920. The depression in world sugar lasted through most of 1922. Toward the end of the year, however, sugar prices began to advance and by 1923 reached a second, but much lower postwar peak of slightly more than 6.5 cents a pound and ranged between 5 and 6 cents a pound for more than a year.

Many believed that the sugar industry both in this country, and generally throughout the world, had recovered its prewar order and prosperity. Americans especially showed their confidence in the future of sugar by pouring large sums of money into Cuban sugar production.

But the international sugar industry was in for a rude shock. World sugar production began outstripping world demand in 1925. Surpluses accumulated and prices dropped below 1922 levels. The trend in world production continued upward even in the face of mounting surpluses and unprofitable prices. This was partly because of artificial stimulation of beet-sugar production in countries which had historically imported sugar but which desired to become self-sufficient. In addition, there were tremendous improvements in methods of cultivating and processing sugarcane during the 1920's and early 1930's. Except for a slight upturn in 1927, world sugar prices did not improve between 1925 and 1928. In 1929 prices began to decline once more. The situation worsened each year from 1929 to the bottom of the general depression in 1932–33.

The depression in world sugar, in both the early and late 1920's, was felt by domestic producers as well as by producers in the large exporting countries as U.S. prices generally moved with world prices. In 1921, the U.S. price was lower than at any time since 1916, and Congress raised the sugar tariffs. The duty on sugar from Cuba, our principal foreign competitor, was increased in 1921 from 1 to 1.60 cents a pound, and in 1922 to 1.7648 cents a pound. The duty on other foreign sugar was also increased each time so that the Cuban tariff preferential was maintained.

As the world price was firm, these increased duties solved the immediate price problems of domestic producers. In fact, when the world price strengthened in 1923 and 1924, consumers complained that the tariffs were forcing the U.S. price too high.

When the world depression in sugar became serious in late 1928 Congress was asked for still higher tariffs to offset world price re-

ductions. As a result, in 1930 the duty on Cuban sugar was raised to 2 cents a pound and the duty on other foreign sugar was raised to 2.5 cents. However, the bottom was falling out of the world sugar market. By May 1932, the world price of raw sugar dropped to less than 1 cent a pound. The U.S. price followed the world price downward reaching the depression low of less than 3 cents a pound in 1932—the 2-cent duty on Cuban sugar plus the world price and the cost of freight from Cuba.

Although the domestic sugar price was quite low compared with prices in previous years, the duty did hold the price at an irreducible minimum—a guarantee that other agricultural enterprises did not have. The duty-paid price actually permitted production to increase in Hawaii, Puerto Rico, the Philippine Islands, and the beet area.

The increase in production in the beet area was not due to the fact that returns from sugar were high at the going price but only that competing crops promised even lower returns at that time. Technological progress and the effort to offset low prices by increased output caused production to climb in the islands.

It was generally agreed that domestic producers needed higher prices if they were to realize fair returns. On the surface at least, the tariff promised to give sufficient protection to our sugar producers if it were raised high enough. But in the severe depression years of 1932 and 1933 it became clear from two important standpoints that further increases in the tariff would not be a solution to the sugar problem.

First, the stimulus of high tariff protection was already causing overproduction in certain domestic areas, thus offsetting the price benefits of the protection. It was apparent that if the tariff were raised enough to afford adequate returns to growers in the highest cost areas, production in other areas would have been excessively stimulated and our market further crowded.

Second, Cuba's income from sugar had fallen so drastically that changes were needed that would help improve her economy and her trade with the United States. A 20-percent duty preference since 1903 had made Cuba the source of more than 98 percent of the foreign sugar entering the United States. After 1930, imports of sugar from Cuba fell to less than 30 percent of our supply from both domestic and foreign sources and the value of our annual exports to Cuba fell to a low of about 25 millions of dollars after having averaged well over 150 millions for the decade ending in 1930. Tariff increases all over the world had encouraged production in importing countries, reducing the demand for Cuban sugar in other countries, also. As a consequence, Cuba was compelled to cut production substantially. The one crop on which Cuba's livelihood primarily depended was almost unsalable.

During the early months of 1933, the U.S. Tariff Commission made a careful appraisal of the prevailing sugar situation and recommended a program emphasizing supply controls rather than the traditional tariff method of assistance. In a letter to the President of the United States, dated April 11, 1933, the Chairman of the Commission noted the failure of the tariff to solve the sugar problem. He pointed out that the price had declined to disaster levels for both American and Cuban producers; that both the domestic industry and that of Cuba required price relief; that prices should be raised by limiting, through

a quota system, the supply of sugar offered for sale in this country; and that if some type of quota system were instituted by this country, the duty on Cuban sugar might be reduced to help restore the purchasing power of Cuba.

The first attempt to develop a new sugar program was made in 1933 by representatives of the sugar industry under authority of the Agricultural Adjustment Act. That act empowered the Secretary of Agriculture to raise farm prices and restore farmers' purchasing power by two methods: (1) By restricting production of "basic" farm commodities and making benefits payments in return for restriction; and (2) by restricting sales of farm products through voluntary marketing agreements with distributors and processors. Since sugar was not classed as a basic commodity in 1933 (it was a basic commodity from 1934 to 1936), the Secretary asked the various segments of the industry to meet in Washington and work out a plan for improving and stabilizing sugar prices under the voluntary marketing agreement authority of the Agricultural Adjustment Act.

During the summer of 1933, numerous conferences were held by representatives of the industry to develop a marketing agreement for sugar. Many of the sessions were quite stormy owing to the difficulties in settling the differences of the conferees. Any plan that would increase the price of sugar involved cutting supplies placed on the market, and naturally, each area was interested in having the other area do most of the cutting. In September, a plan was submitted to the Secretary of Agriculture for his approval. The plan was called the stabilization agreement and was designed to accomplish stabilization in four ways: (1) The fixing of minimum prices for raw sugar; (2) the limiting of total deliveries of sugar to the U.S. market and the allocation of a share of the market to each domestic and foreign producing area through a quota system; (3) the limiting of production in each domestic area to fit the marketing quotas; and (4) the prohibition of so-called unfair methods of competition, such as secret rebates, concessions, and price discounts, among the distributors of sugar.

After considering the stabilization agreement the Secretary concluded that the plan was unworkable on the grounds that it would tend to increase rather than remove the disparity in agriculture's purchasing power. The Government further indicated that "no effective control of production was contemplated" under the plan. Another objection to the plan was that it did not provide for a reduction in the Cuban tariff nor, the Government believed, adequate sharing of our market with Cuba.

The Sugar Stabilization Agreement did not go into effect. But its formulation made possible the later enactment of the first sugar legislation, the Jones-Costigan Act. In developing the plan the industry had, for the first time, gotten together, thrashed out its problems, and agreed on such controversial matters as the need for balancing supplies with demand and of assigning under a quota system a portion of the market needs to each area.

When the stabilization agreement was rejected, the Government used the plan as a starting point and drafted a new set of proposals. These proposals were recommended by the President to Congress for legislative action in early 1934. On May 9 of that year, the President approved the Jones-Costigan Act which included most of the President's recommendations. Succeeding sugar legislation has carried forward the basic philosophy underlying the Jones-Costigan Act.

THE SUGAR ACTS, 1934–62

The Jones-Costigan Act, an amendment to the Agricultural Adjustment Act, contained six principal features for dealing with the sugar problem. These were (1) the determination each year of the quantity of sugar needed to supply the Nation's requirements at prices reasonable to consumers and fair to producers; (2) the division of the U.S. sugar market among the domestic and foreign supplying areas by the use of quotas and subordinate limitations on offshore direct consumption sugar; (3) the allotment of these quotas among the various processors in each area; (4) the adjustment of production in each area to the established quotas; (5) the levying of a tax on the processing of sugarcane and sugarbeets, to proceeds of which to be used to make payments to producers to compensate them for adjusting their production to marketing quotas to augment their income; and (6) the equitable division of sugar returns among beet and cane processors, growers, and farmworkers.

The act remained unchanged until early 1936 when the Supreme Court ruled that a tax on processors of agricultural commodities was unconstitutional when used as a device to control production. In view of this decision, Congress repealed the provisions of the act permitting the imposition of processing taxes and the making of production control contracts between the Government and growers. But the quota and allotment system remained in effect.

The repeal of the processing tax and payment provisions of the Jones-Costigan Act was considered crippling to the sugar program by the Government and others interested in the program because it removed the incentive to growers for holding production in line with quotas. Therefore, in the following year, the President recommended that Congress enact new legislation embodying, in general, the principles of the earlier legislation. This recommendation resulted in the enactment of the Sugar Act of 1937. To meet the objections of the Supreme Court to the old processing tax, the new excise tax was not related to Government payments to growers. The new act authorized the Secretary of Agriculture to make such payments out of the Treasury from funds appropriated for this purpose.

The Sugar Act of 1937 was originally scheduled to expire in 1940. However, it was extended to 1941, then from 1941 to 1944, from 1944 to 1946, and again from 1946 through December 31, 1947. The quota limitations were lifted by Presidential proclamation from September 11 to December 31, 1939. because of scare buying after the outbreak of war in Europe. They were again lifted by the President from April 1942 through 1947 during this country's war emergency.

The Sugar Act of 1948 superseded the 1937 act and extended the sugar program through December 31, 1952. The new legislation did not change the basic objectives of the Sugar Act of 1937 but it did change the method of establishing quotas. In the 1937 act, a fixed percentage of the estimated requirements was assigned to each domestic and foreign area. The Sugar Act of 1948, however, assigned fixed quantities to domestic areas and the Philippines and variable quotas to Cuba and "other foreign countries" by distributing the balance of our requirements to these countries on a percentage basis. This gave the benefit of our increased consumption largely to Cuba.

Also, it was known that the Philippines would have large sugar deficits for several years, and 95 percent of these were assigned to Cuba.

This country felt obliged to help Cuba to market its record crop in the face of anticipated decline in world demand. We had strongly urged Cuba to increase production during World War II to help make up the loss of Philippine sugar and to supply the needs of our war emergency. Cuba responded to the request, and marketed a large part of its output to this country at prices far below those prevailing in the world free market.

In 1951, Congress again reviewed the sugar program and the need for continuing protection for the domestic industry through special legislation after December 31, 1952, when the Sugar Act of 1948 was due to expire. In September 1951, the Sugar Act of 1948 was amended and extended from January 1, 1953, to December 31, 1956.

Amendments to the act primarily concerned quotas. The Puerto Rican quota was increased from 910,000 tons to 1,080,000 tons and the Virgin Islands quota from 6,000 to 12,000 tons. Participation of Cuba and other foreign countries in the overall variable quota was changed somewhat. Other foreign countries were granted 4 percent of the overall variable quota instead of 1.36 percent as provided in the unamended act. Cuba's share was set at 96 percent. A liquid sugar [3] quota was assigned to the British West Indies in addition to the quotas previously allotted to Cuba and the Dominican Republic. In addition, some revisions were made in the method of reassigning among other areas the unfilled portion or deficit in the quota of a particular area.

In May 1956, the Sugar Act of 1948 was again amended and extended to December 31, 1960. The amendment restores to the domestic areas participation in the growth of our sugar market. Beginning in 1956 market growth in excess of 8,350,000 tons is shared 55 percent by domestic areas and 45 percent by foreign countries. The first 165,000 tons of increased quotas for domestic areas are assigned 51.5 percent to the domestic beet area and 48.5 percent to the mainland cane area; the next 20,000 and 3,000 tons are assigned to Puerto Rico and the Virgin Islands, respectively, and increases in excess of 188,000 tons are apportioned among all domestic areas on the basis of quotas then in effect for each domestic area. The increase in quotas for foreign countries other than the Republic of the Philippines resulting from market growth in excess of 8,350,000 tons is assigned in the ratio of 43.2 percent to Cuba and 1.8 percent to all other such foreign countries in 1956, and 29.59 percent and 15.41 percent, respectively, in 1957 and each subsequent year. The quota for the Republic of the Philippines remains unchanged throughout the extension of the act. Deficits in that part of any domestic area quota which pertains to sugar requirements in excess of 8,350,000 tons are prorated to the other domestic areas only. As in the past, Cuba shares in the proration of domestic area deficits resulting from the inability of any domestic area to market the portion of its quota pertaining to sugar requirements up to 8,350,000 tons. In addition to other amendments of an administrative or technical nature, there

[3] Liquid sugar is defined as noncrystalline sugar containing nonsugar solids (excluding any foreign substances that may have been added or developed in the product) equal to not more than 6 percent of total soluble solids. This is exclusive of sirup of cane juice produced from sugarcane grown in the continental United States.

are also some changes in the provisions for the limitation of direct consumption sugar entry within the offshore quotas. Two short-term extensions provided for continuation of the Sugar Act through June 30, 1962, with significant amendments first effective in July 1960. The amendments and their effects are described in the following sections titled "Establishing Quotas" and "Deficits in Quotas."

The aims of sugar legislation

The preamble of the Sugar Act of 1948, as amended, states that its purpose is "to regulate commerce among the several States, with the territories and possessions of the United States, and with foreign countries; to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry; to promote the export trade of the United States: and for other purposes." Stated more directly, the act is designed to maintain a healthy and competitive domestic sugar industry of limited size; to assure adequate sugar supplies to consumers at reasonable prices; and to promote our general export trade. Previous legislation had the same basic purposes.

How the act works

Determining the sugar needs of consumers.—Title II of the act, called "Quota Provisions," requires the Secretary of Agriculture to determine how much sugar will be needed to fill U.S. requirements during each calendar year. The Secretary must make his determination in December for the following year, but he may revise it up or down during the year if the needs change. The sugar determination establishes the quantity of sugar in short tons, raw value, that may be marketed in the United States during the year under consideration.

In making his initial estimate the Secretary uses as a starting point the quantity of sugar distributed during the 12-month period ended October 31 next preceding the calendar year for which the determination is being made. Then he must make allowances for deficiencies or surpluses in the Nation's sugar inventories and for changes in consumption caused by changes in population, and demand conditions. When the Secretary has arrived at a tentative figure, using the standards outlined above, he must then consider the price that this quantity of sugar would likely bring on a wholesale refined basis. If the estimated sugar price will be excessive to consumers or too low to protect the welfare of the domestic industry, the Secretary is authorized to increase or decrease the determination of the quantity of sugar that may be marketed to achieve a fair and reasonable price.

Since the war, the Secretary has held a public hearing each year at which all interested persons—industrial users, and other consumers, distributors, refiners, beet and cane processors, and growers—may present views or arguments on the matter. This meeting is usually held in November each year, a few weeks before the requirements determination in December. Written statements may also be submitted for the Secretary's consideration.

The Secretary must also determine requirements for local consumption in Hawaii and Puerto Rico so that the general price and marketing objectives will be the same in all American markets.

Establishing quotas for domestic and foreign producing areas.—After the Secretary has determined overall requirements, each domestic and foreign producing area supplying the United States with sugar

is assigned a quota representing its share of the market as specified by the act.

Under amendments enacted in July 1960 and March 1961, the President determines, notwithstanding any other provisions of title II, the quota for Cuba for the period ending June 30, 1962, in such amounts less than would be provided in title II as he finds to be in the national interest, and causes or permits to be imported from other sources a quantity of sugar not in excess of the reductions in quotas made under this new provision. The quantities thus provided for under the proclamations of the President are called "allocations" and "authorizations" of "nonquota purchase sugar" to distinguish them from the quotas established under the longstanding provisions of the act. (See p. 27.)

Under the quota provisions, the domestic sugar-producing areas are assigned a base of 4,444,000 short tons, raw value,[3] plus 55 percent of requirements in excess of 8,350,000 tons. Specific quantities of the domestic share of the increment between 8,350,000 tons and 8,691,818 tons are allocated to individual domestic areas. The domestic share of requirements in excess of 8,691,818 tons is prorated among domestic areas on the basis of their quotas at that level.

The quota for the Republic of the Philippines is fixed at 952,000 tons of sugar (currently 980,000 tons, raw value). Quotas for Cuba and "other foreign countries" (the latter are sometimes called "full-duty countries" to distinguish them from Cuba and the Philippines) vary each year, the exact amount depending on the tonnage set by the Secretary's sugar requirements determination.

The proration to the various domestic and foreign supply areas at the specified levels of proration is shown in table 12. Most of the quotas for the domestic offshore and foreign supply areas may be filled only with raw sugar, which is defined as sugar which is to be further refined or improved in quality on the mainland. Other sugar is called "direct-consumption sugar," and includes primarily white refined and other types of sugar familiar in home consumption.

Prior to 1960, about 650,000 tons of direct-consumption sugar were entered from offshore domestic and foreign areas each year. In 1960 the quantity was somewhat smaller and in 1961 only one-half as large because of discontinuing such imports from Cuba. Unrestricted imports of refined sugar would reduce the volume of mainland refining and would create price problems because offshore direct-consumption sugar is quoted at lower prices than sugar refined in the United States.

[3] "Raw value" is the term used in the Sugar Act to express in a common unit the various types of raw and refined sugars that move in commerce. One ton of refined sugar equals 1.07 tons of sugar, raw value.

TABLE 12.—*Proration of quotas*

[Short tons, raw value]

Area	Quotas when total quotas are 8,350,000 tons (1)	Quotas of domestic areas when total quotas are 8,691,818 tons (2)	Percentage proration for total quotas in excess of basic levels shown in cols. (1) or (2) (3)
Domestic:			
Domestic beet sugar	1,800,000	1,884,975	22.3821
Mainland cane sugar	500,000	580,025	6.8871
Hawaii	1,052,000	1,052,000	12.4914
Puerto Rico	1,080,000	1,100,000	13.0613
Virgin Islands	12,000	15,000	.1781
Total domestic	4,444,000	4,632,000	55.0000
Foreign:			
Philippines	980,000	----------	0
Cuba	2,808,960	----------	29.5900
Full-duty countries	117,040	----------	15.4100
Peru	50,062	----------	4.3300
Dominican Republic	29,482	----------	4.9500
Mexico	11,259	----------	5.1000
Nicaragua	8,001	----------	.5739
Haiti	4,820	----------	.2090
Netherlands	3,000	----------	.0696
China (Formosa)	3,000	----------	.0594
Panama	3,000	----------	.0594
Costa Rica	3,000	----------	.0587
Canada	631	----------	0
United Kingdom	516	----------	0
Belgium	182	----------	0
British Guiana	84	----------	0
Hong Kong	3	----------	0
Total, foreign	3,906,000	----------	45.0000
Grand total	8,350,000	----------	100.0000

Nonquota purchase sugar.—Sugar to replace a Presidential reduction of the quota for Cuba is directed in the act to be apportioned as follows:

(1) Any foreign country with a quota between 3,000 and 10,000 short tons, raw value, shall be permitted to enter a total of 10,000 tons during the calendar year;

(2) Fifteen percent of the remainder shall be purchased from the Republic of the Philippines;

(3) The balance, including any unfilled balances from allocations already provided, shall be purchased from foreign countries having quotas other than those provided in (1) above, prorated according to the quotas established, except that any amount which would be purchased from any country with which the United States is not in diplomatic relations need not be purchased;

(4) Any additional amounts needed may be purchased from any foreign country without regard to allocation, except that for the period April 1961–June 1962 special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

To the extent that the President finds that raw sugar is not reasonably available, direct-consumption sugar may be permitted or caused to be imported. Of the total replacement of Cuban sugar in 1960,

about 967,000 short tons, raw value, were authorized for purchase under the formula outlined in items 1, 2, and 3, above, about 233,000 tons were authorized under item 4 by the Secretary of Agriculture with the concurrence of the Secretary of State, as provided in the proclamation of the President, and 236,000 tons were not allocated. In 1961 the three corresponding quantities were about 1,874,000 tons, 1,243,000 tons, and 180,000 tons, respectively.

The distribution of our total sugar supply in 1959, the last year in which Cuba's quota was established in the traditional manner, and for 1960 and 1961 is shown in table 13. The adjusted quotas shown for Hawaii and Puerto Rico and in 1959 and 1960 for the Virgin Islands show "deficits." Those for the other domestic areas and for Cuba (1959 only) include their shares of the deficits. The domestic area quotas were not entirely filled in 1959 (by about 155,000 tons) or in 1960 (by about 600,000 tons). Fairly substantial shortfalls in 1961 foreign authorizations were in prospect late in the year. Thus, the supplies actually becoming available within the total quotas and authorizations were about 9,245,000 tons for 1959, 9,520,000 tons for 1960, and about 9,700,000 tons for 1961.

TABLE 13.—*Sugar quotas and nonquota purchase authorization, 1959–60 (final); 1961 in effect Nov. 20*

[Short tons, raw value]

Area	1959	1960	1961
Domestic beet	2,267,665	2,514,945	2,609,170
Mainland cane	697,783	773,873	715,000
Hawaii	977,970	940,444	1,030,000
Puerto Rico	969,875	893,620	980,000
Virgin Islands	12,405	8,618	17,330
Republic of the Philippines	980,000	1,156,426	1,470,731
Cuba	3,215,457	2,419,655	0
Peru	95,527	273,827	636,377
Dominican Republic	81,457	452,814	333,880
Mexico	64,809	400,437	685,000
Nicaragua	14,027	41,766	43,368
Haiti	7,014	35,672	45,273
Netherlands	3,731	10,556	10,000
China (Formosa)	3,624	10,476	170,028
Panama	3,624	10,476	10,000
Costa Rica	3,616	10,469	30,250
Canada	631	2,288	1,897
United Kingdom	516	1,871	1,550
Belgium	182	660	1,635
Hong Kong	3	11	30
Federation of the West Indies and British Guiana	84	92,849	266,007
El Salvador	0	6,000	12,000
Guatemala	0	6,000	17,000
Brazil	0	100,347	306,474
Ecuador	0	0	36,000
Colombia	0	0	46,000
French West Indies	0	0	75,000
Australia	0	0	90,000
Paraguay	0	0	5,000
India	0	0	175,000
Subtotal	9,400,000	10,164,100	[1] 9,820,000
Not authorized for purchase		235,900	180,000
Total	9,400,000	10,400,000	10,000,000

[1] Of this quantity approximately 14,900 tons were not imported by Mar. 31, 1961, and cannot be authorized for importation after that date.

Deficits in quotas.—If the Secretary finds that any domestic area or Cuba cannot supply its quota, he must allocate the deficit among the rest of these areas in proportion to their quotas, except that Cuba does not share in any deficit of a domestic area quota after mid-1960

nor prior to that time in any deficit in that part of the quota resulting from sugar requirements in excess of 8,350,000 tons. For example, in 1961, Hawaii and Puerto Rico were able to supply less than the quotas provided for within an 8,350,000 ton total. In this year the entire deficits were shared by the domestic beet and mainland cane sugar areas, including 69,542 tons that would have been Cuba's share as provided in the act prior to 1960.

Deficits in the quotas for the Republic of the Philippines, under pre-1960 provisions, were allocated 96 percent to Cuba and 4 percent to other foreign countries. A deficit in an individual other foreign country proration is allotted among the remaining countries of the "other foreign countries" group. Cuba is assigned any deficit in the overall quota for this group.

If any area is unable to fill the deficit assigned to it, the deficit may be reapportioned to such other areas as the Secretary determines is necessary to obtain the sugar.

A deficit determination does not deprive any area or country of the right to supply its full quota if it later finds itself able to do so. This does not apply, however, to nonquota purchase allocations which may be withheld or withdrawn from authorization.

Establishing marketing allotments.—One important function of the sugar program is to promote orderly marketing. The establishment of quotas may in itself accomplish this, but sometimes quotas are not enough. This is particularly true when supplies in the producing areas materially exceed quotas. If, for example, a domestic area has more sugar available for marketing than its quota, each of the various processors is likely to rush sugar to market to make sure that he disposes of his supply before the quota is filled. This tends to bring about a temporarily oversupplied market and panicky sellers and usually causes an unwarranted decline in price.

If the Secretary finds that the pressure of supplies in an area is likely to cause disorderly marketing, he must allot the quota fairly among the processors. The allotment is based on past marketings of sugar by the various processors, their ability to market sugar during the season for which the allotment is being made, and on their sugar processings from beets or cane to which "proportionate farm shares" pertain. In 1961, only the quota for the domestic beet sugar area was allotted.

Assigning proportionate shares.—As pointed out above, the Sugar Act requires the Secretary to divide the U.S. sugar market among domestic and foreign areas and, if necessary, for orderly marketing, to divide quotas among processors and importers.

For domestic areas, the act also requires the Secretary to divide the market among individual farms. In dividing the market among farms, however, the Secretary is dealing with a different total quantity of sugar than when determining quotas and allotments. He must allow for enough sugar to provide a normal carryover as well as the amount of sugar represented by the quota. Because of the time it takes to grow and process a crop of sugar beets or sugarcane, the "proportionate shares" must be determined long before the quota is finally established to regulate the marketing of sugar made from that crop.

The Secretary must determine the quantity of sugar each domestic area may carry over into the following year. Then he makes allow-

ances for deficiencies or surpluses in the current stocks in the respective areas and adds to or subtracts from the quota sufficiently to assure a normal carryover into the next year. The resultant amount, which represents the total quantity of sugar that may be produced in the area, is then divided among farms. Each farm's allotment, known as its "proportionate share," may be expressed in acres, tons of sugarcane or beets, or in tons of sugar, raw value, which can be normally produced from cane or beets.

For many years, proportionate shares in the several domestic areas were simply determined as the beet or cane acreages actually grown or, in the offshore domestic areas, as the tonnage of raw sugar actually processed from the sugarcane grown. In recent years, however, it was necessary to determine restrictive proportionate shares in some of the areas in order to prevent the accumulation of sugar stocks in excess of marketing quota and normal carryover needs. Such restrictions were in effect on an acreage basis in the mainland cane area for crop years 1954 through 1958 and were established but later rescinded for the 1959 crop. In the domestic beet area such restrictions have applied to the 1955 through 1960 crops. Restrictive proportionate shares were in effect in Puerto Rico on a sugar tonnage basis for the crop years 1953 through 1956. No such restrictions applied in any domestic area for the 1961 and 1962 crops.

The purpose of assigning specific shares to farms in a particular area is to adjust crop output to the area's quota and normal carryover and to assure that each farm will share in this adjustment equitably. In determining the proportionate share for a farm the Secretary may consider past production and the ability of the farm to produce beets or cane during the year for which the determination is being made. The act requires the Secretary to protect the interests of small and new producers and producers who are tenants and sharecroppers in assigning shares and to consider the interest of producers in any local producing area where past production has been seriously affected by abnormal and uncontrollable natural conditions.

In actual practice, proportionate shares are not made restrictive unless production in an area has exceeded or promises to exceed the quota and normal carryover, and marketing allotments have failed to bring about a balance between production and allowable area marketing. Marketing allotments are applied when excessive production and disorderly marketing first become problems. Because of the administrative detail involved and the complicating fact that the harvest season in most areas does not coincide with the calendar year—i.e., the quota year—plans for assigning specific proportionate shares must be made well in advance of the crop year for which they will be in effect. Thus, when it appears that there will be a reasonable balance between an area's production and its quota or when an area clearly will not be able to produce enough to fill its quota, proportionate shares are not made restrictive. For instance, the 1957 proportionate share determination for Puerto Rico stated that the share for each farm is "the amount of sugar, raw value, commercially recoverable from the sugarcane grown thereon and marketed (or processed by the producer) during the 1956–57 crop season for the extraction of sugar or liquid sugar."

Producers are not required to stay within their assigned proportionate share if they do not wish to do so. However, in order to receive

"conditional payments" from the Governments, growers must abide by the proportionate share determination. Since these payments are an important part of their income, the growers comply with this determination. If all the sugar processed from beets or cane in excess of a grower's proportionate share is used for livestock feed or for the production of livestock feed, he will receive conditional payments on his proportionate share.

Assuring fair division of the benefits of the sugar program.—The principal way in which the domestic industry derives benefits from the sugar program is through the stabilization of raw and refined sugar prices at reasonably profitable levels. But the framers of the Jones-Costigan Act did not leave solely to competitive forces the carrying of these benefits through retailers, wholesalers, refiners, and importers, to beet and sugarcane processors, growers, and farmworkers. They provided in that act for a system of grower payments to assure that this sharing would take place. This system was carried forward in succeeding legislation though, as pointed out earlier, handled in a different manner. Under the present act, these payments are called conditional payments.

Conditional payments are appropriated annually by the Congress and financed out of the general fund of the Treasury. However, a tax on sugar provides funds for the Treasury which more than offset the total of all conditional payments plus the costs incurred by the Department of Agriculture in administering the Sugar Act. The basic rate is 0.5 cent a pound, raw value, on all sugar domestically manufactured, paid principally by beet processors and cane sugar refiners, and on importers of direct-consumption sugar. The provision for this tax is incorporated in the Internal Revenue Code. The tax is refunded on sugar used for livestock feed and on sugar exported.

As indicated in the section on proportionate shares, conditional payments act as an incentive to growers to adjust their production to the quota and carryover needs. But this payment system also has three other objectives. These other objectives are (1) to help provide adequate incomes to growers; (2) to assure growers and fieldworkers a fair sharing of returns to the industry; and (3) to prevent the employment of child labor in fieldwork.

The first objective is accomplished by augmenting grower income through conditional payments. The second and third objectives are achieved by requiring growers to observe certain conditions in order to receive conditional payments. These conditions are in addition to the requirement that growers comply with their proportionate share determination. They are as follows:

(1) Growers, who are also processors, are required to pay fair prices for cane or beets purchased from other growers. Fair prices are determined annually by the Secretary for each domestic area after public hearings and after investigation of the economic position of growers and processors. The fair price determinations fix the minimum levels of prices to be paid to growers by processors who are growers. In addition, they affect the level of prices paid to growers by processors who are not growers. Processors who are not growers pay about the same prices as grower-processors.

(2) Growers must pay fieldworkers in full for work performed on cane or beets and at rates not less than those determined by the Secretary of Agriculture to be fair and reasonable. Each year the Secre-

tary determines fair and reasonable wages for fieldworkers in each domestic area. These wages are established after investigation and public hearings at which all interested parties may testify.

(3) Growers must not employ children under the age of 14 years or permit them to work on sugarbeets or sugarcane. Children between the ages of 14 and 16 may not be employed or permitted to work for more than 8 hours a day. The children of growers who own at least 40 percent of the crop they are cultivating are exempted from these conditions. If these conditions are not observed by a grower he is penalized by a deduction of $10 from his payment for each child and for each day or part of a day during which such child was employed or permitted to work.

The rates of conditional payments vary with the volume of sugar produced from the cane or beets grown on a farm and are graduated downward from small to large production, The basic rate of $0.80 a hundred pounds of sugar, raw value, is paid on the first 350 short tons of commercially recoverable sugar contained in the beets or cane produced on a farm. This rate is reduced progressively to a minimum of $0.30 a hundred pounds on all sugar produced in excess of 30,000 short tons from the beets or cane on a farm. Including the crop deficiency and abandonment payments discussed below, the 13-year (1948–60) average rate of payment was $0.68 a hundred pounds, ranging from $0.46 in Hawaii where most of the production is on large farms to $0.83 in the beet area. Payments in the mainland cane area, Puerto Rico, and the Virgin Islands averaged $0.68, $0.69, and $0.69 a hundred pounds, respectively, during the same period.

The average payment rate for all domestic areas exceeds the tax rate—an apparent paradox in view of the fact that total tax receipts exceed the cost of the program. The explanation is that the tax is imposed on all sugar (foreign and domestic) manufactured or imported for direct consumption; but payments are made on domestic production only.

Compensation for disaster losses.—The sugar program provides limited benefits for growers in the form of special conditional payments for crop deficiency or abandonment caused by drought, flood, storm, freeze, disease, or insects. For a farmer to be eligible for these payments, natural disasters must cause damage to all or a substantial part of the crop throughout the local producing area in which he is located. In the case of a crop deficiency, the regular conditional payment is made on the farmer's actual yield and an additional payment is made sufficient to raise the total to the amount that would have been paid had he obtained 80 percent of the normal yield of commercially recoverable sugar. In the case of a bona fide crop abandonment, payments are made on one-third of the normal yield of abandoned acreage.

Payments for reduced yield are commonly known as deficiency payments and payments for abandoned crops are called abandonment payments. Both, however, are technically conditional payments and are covered by the conditional payment provisions of the act.

From 1948 through 1960, deficiency and abandonment payments averaged about $837,000 a year in the beet area, $136,000 a year in the mainland cane area, and $218,000 a year in Puerto Rico. During that period only $94,000 were paid out in Hawaii (in 1955 and 1960) and only $89,000 in the Virgin Islands (in 1958 and 1960).

Administrative procedures.—All regulations issued by the Agriculture Department under the authority of the Sugar Act are first publicized through an Agriculture Department press release, are published in the Federal Register a few days after issuance, and are codified as "Title 7, Chapter XIII, of the Code of Federal Regulations."

Certain regulations must be preceded by public hearings. These are marketing allotment orders, the determination of processes and qualities which distinguish raw sugar and direct-consumption sugar, and fair price and fair wage determinations. The rules governing the procedures for the issuance of these regulations form parts 801 and 802 of the code.

Other sugar regulations may be issued without prior public hearings. However, as noted earlier, it has become customary to conduct a hearing in November of each year, prior to the issuance of the initial sugar requirements determination for the following year. Informal public hearings are also conducted before restrictive proportionate share regulations (acreage allotments in the mainland areas) are issued.

Hearing notices, notices of proposed rulemaking, notices of recommended decisions, and notices of tentative decisions are also publicized through Agriculture Department press releases and, except for notices of informal public hearings on proportionate shares, are published in the Federal Register.

RESULTS OF THE SUGAR PROGRAM

Growth of the domestic industry (first curtailed, then increased moderately)

The imposition of sugar quotas and of production controls and the drought in 1934 caused a sharp cut in sugar production in the domestic areas. Between 1923 and 1933, production in the domestic areas (excluding the Philippines) increased from 2,046,000 to 4,036,000 tons. In 1934 domestic production was cut to 3,580,000 tons. The following year, 1935, domestic production was cut further to 3,420,000 tons. The effect of the sugar program was even more striking if the Philippine Islands are included as a domestic area, which they were in the pre-World War II period. In the 10 years before quota restrictions, our entries from the Philippines rose from 238,000 to 1,249,000 tons—an increase of more than 400 percent. In 1935, entries from the Philippines were only 917,000 tons within a quota of 982,000 tons. Production in that country was also cut substantially as the United States was its principal market. Considered together, domestic production and Philippine imports were lowered 18 percent the first 2 years of quota legislation.

By 1936, as the market expanded with increased population and improved demand, the quota totals were increased. Under the Sugar Act of 1937, any expansion in the U.S. market was shared proportionately by both domestic and foreign areas. The 1937 act allotted the quota for each domestic and foreign area in terms of a specific percentage of overall sugar requirements. For domestic areas, these percentages totaled 55.59 percent, and for the Commonwealth of the Philippines, Cuba, and other foreign countries, 44.41 percent. This quota relationship existed from 1937 to 1947, after which time the 1937 act was replaced by the Sugar Act of 1948.

The Sugar Act of 1948 established fixed quotas for domestic areas and the Republic of the Philippines and flexible quotas for other

foreign countries. The domestic quotas remained unchanged through 1955 except for the increase in the Puerto Rican and Virgin Island quotas which were enacted in 1951 and became effective January 1, 1953. These increases permitted a 4-percent growth in total domestic quotas during the 8-year period, 1948 through 1955. Therefore, most increases in sugar requirements over that period were filled by imports from Cuba and other foreign countries.

In 1956, the Sugar Act of 1948 was again amended and extended through 1960, and the participation of the domestic areas in the growth of our sugar market was restored. Since then, the domestic areas have shared 55 percent of all market growth in excess of 8,350,000 tons.

Economic status of the domestic industry

Processors and refiners.—In general sugarcane and beet processors have had stable and adequate earnings under the sugar program. Only a few companies have gone out of business because of unprofitable operations. In contrast, when sugar prices were so erratic in the 1920's and so depressed in the early 1930's, many failed to weather the financial storms.

Refiners, like sugarcane and beet processors, have generally operated profitably under the sugar program. However, their plight never became as serious in the 1920's and early 1930's as that of the sugarcane and beet processors. One of the principal benefits the refiners enjoy under sugar legislation accrues from the limitation the act places on imports and shipments from domestic offshore areas of sugar in refined form. Unrestricted imports of refined sugar naturally would reduce the volume of mainland refining and would create price problems because offshore direct-consumption sugar is quoted at lower prices than sugar refined in the continental United States.

Growers.—Growers' gross income has increased substantially since the program began in 1934. This larger income is the result not only of the influence of generally higher and more stable prices for sugar but also of an increase in the growers' share of sugar returns. Processors generally have operated profitably and at the same time have been able to pass on a higher proportion of total sales returns to growers. This increased return to growers has been possible through improvements in manufacturing efficiency on the part of the processors. In addition, the fair price determinations issued under sugar legislation have assured an equitable share of returns going to growers and have bolstered the bargaining position of growers who sell to processors who are not growers.

Growers income per ton of sugarcane and sugarbeets has risen at a higher rate than the price of refined sugar. The farmer is now receiving a larger percentage of the sugar dollar than he did before 1940. During World War II and the early postwar period returns from sugarbeets and sugarcane were affected by subsidy and price support programs under other legislation aimed at providing supplies at controlled prices.

In recent years growers' income per ton of sugarbeets and sugarcane has been well over twice as much as during 1935–39. Refined sugar prices also increased over this period but less than growers' income. This indicates that the growers' share in the sugar dollar has increased, also.

Before 1940 sugar-beet processors received a slightly larger share of the sugar dollar than did the growers. Since then the growers' share has increased substantially. The greatest increase took place from 1945 to 1946. Since 1945 the growers' share of net sales proceeds has typically been 58 percent. In addition, growers have received Sugar Act payments and, in most years from 1943 through 1947, Commodity Credit Corporation price support payments.

Growers in the domestic cane areas likewise have enjoyed a larger share of sugar returns than formerly. In Louisiana, for example, growers averaged about 62 percent of the total returns (excluding Government payments) from sugar and molasses during the 1953–57 period whereas they averaged only about 55 percent from 1936 through 1940.

During the war years the price received by beet growers expressed as a percentage of the parity price [4] reached very high levels in view of the price support payments disbursed by the Commodity Credit Corporation during that period. In spite of these payments, beet acreage and production during the war years 1943–45 were greatly reduced.

Since 1948 the price received by mainland sugarcane growers, expressed as a percentage of parity price, has fluctuated more than the corresponding price received by sugarbeet growers. This is to be expected, because the sugarcane price is related to the average raw cane-sugar price either during the week of sale or during the sugarcane marketing season. By contrast, the sugarbeet price depends on net returns from refined beet-sugar sales throughout the year. For mainland sugarcane the returns as percentage of parity vary considerably, the lowest in the 1948–60 period applying to the 1948 crop, the highest to the 1956 crop. Sugarbeet and sugarcane prices for the years since 1950 would have been a lower percentage of parity, if the old formula for calculating parity had remained in effect.

Farmworkers

The standard of living of sugar beet and cane fieldworkers today is greatly improved over the living standards of fieldworkers in 1934. Early minimum wage rates established under the Sugar Acts tended to become the rates actually paid. In more recent years, average wages paid have tended to exceed the minimums determined, enough so in Hawaii and Puerto Rico that determination of specific rates for these areas has been discontinued. For the other areas, minimum rates established for the 1961 crops were 340.7 percent higher than those prevailing in 1934. On the other hand, the cost of food and clothing increased by only 154 percent.

Sugar utilization

From the early 1820's to 1926, annual per capita distribution of refined sugar in the United States increased steadily from 9 to 110 pounds. Per capita sugar deliveries during the period 1925–30 averaged 106 pounds. During the depression years, 1932–34, per capita sugar deliveries averaged only 95 pounds. The wholesale price of sugar declined during that period to the lowest levels since the mid-1890's, but the decline was less than the decline in the general price level.

[4] The parity price for a farm commodity is a legal and statistical concept expressing a past price level for the commodity, adjusted to reflect changes in the level of farmers' production and family living expenses.

Per capita distribution recovered somewhat in 1935 and remained at about 97 pounds through 1940. (See Sugar Reports 90, table 3, p. 12.) During the war, supplies were inadequate. Since 1947, distribution has fluctuated rather widely from year to year, but was rather constant by 3-year periods averaging 96 to 97 pounds a year. In 1947, 1950, 1953, and 1956 industrial users accumulated stocks and in 1948, 1951, 1954, and 1957 they reduced stocks. Per capita sugar distribution during 1947–58 averaged 96.5 pounds, about 0.7 pound less than during 1935–40. The utilization of corn sweeteners increased from 7 pounds in 1936 to 15 pounds in 1947 but declined subsequently. It remained at about 12 pounds through 1957 and has been rising since the beginning of 1958.

In the last quarter of 1941, quota restrictions were virtually lifted when the sugar determination was increased to 9 million tons; from 1942 through 1947 all quota restrictions on sugar were suspended. During the World War II emergency period, the U.S. sugar supply situation was tight. Imports from the enemy-held Philippines were completely cut off and shipping space for sugar from other offshore areas was limited. Total sugar distribution was lowest during 1942 because of the loss of the Philippines and a sharp drop in imports from Cuba. But the large quantity carried over from the 1941 supply buildup helped ease the situation for consumers. The postwar shortage was most acute in 1946. Because of short supplies in the previous year, stocks had been depleted, while sugar distribution on a per capita basis reached the lowest point in over 40 years.

Prices

The Sugar Act is a price-influencing mechanism but it leaves ample room for price fluctuation. Since World War II domestic sugar prices have been far more stable than world prices. Also, domestic prices have been far more stable since World War II than they were following World War I. During World War II sugar prices were stabilized by price controls and consumer subsidies. The Commodity Credit Corporation imported sugar from Cuba, duty free, sold it at a loss, and absorbed costs to keep prices down to consumers. In 1946 and 1947, when the subsidy programs were brought to an end and costs of obtaining sugar rose, ceiling prices were increased. Except for this one sharp price change and a temporary price peak in the fall of 1939, sugar prices have been remarkably stable under the Sugar Acts.

In relation to the price of other foods, the price of sugar in the United States has declined greatly over the last century. After declining sharply in the 20 years immediately following the Civil War, the price of sugar has remained at moderately low levels except during the post-World War I inflation period in 1920. Since 1940, the index of the wholesale price of all foods has increased considerably more than the wholesale price of refined sugar.

In 1961 the index of the wholesale price of all foods was 247 percent of the 1940 level, whereas the wholesale price of sugar was only 213 percent of the 1940 level. When price controls were instituted in the wake of the Korean conflict the Office of Price Stabilization exempted sugar from price control on February 12, 1951, because inflationary pressures had been warded off by the large distribution during 1950 and it was apparent that the Sugar Act would be able to deal with the inflation problem as it related to sugar.

Imports of sugar

Since 1903 Cuba has been our most important foreign source of sugar. Imports from Cuba first exceeded 1 million tons in 1903, 2 million tons in 1913 and 3 million tons in 1919.

In the early 1930's imports fell sharply. In 1933, we imported only 1,573,000 tons from Cuba—less than in any year since 1909. The volume of imports increased after 1933 and averaged about 2 million tons from 1936 through 1940. With the virtual lifting of quota restrictions in the latter part of 1941 and the suspension of the quotas from 1942 to 1947, our imports from Cuba increased substantially, averaging 2,800,000 tons and reaching a high of 3,943,000 tons in 1947. From 1948 through 1958 an annual average 3 million tons of sugar was imported from Cuba.

The value of Cuban sugar imports increased even more than the quantity. Due to the increase in the level of sugar prices and reduction in the U.S. tariff, Cuban sugar producers received about 11 times as much income from their exports to this country in 1958 as they did in 1933. In 1933, raw sugar exports to the United States yielded 1.1 cents a pound to Cuban producers, in 1958, 5.3 cents.

Imports from full-duty countries were 4 percent or less of total imports during the period 1937 through 1956 except in 1941. In the latter year 190,000 tons were imported from full-duty countries. Otherwise until 1953, the quantity exceeded 100,000 tons only in 1943 and 1944.

When the Sugar Act amendment of 1951 trebled the basic full-duty country quota beginning in 1953 these countries responded with annual average shipments of 119,000 tons of sugar during the 1953–56 period. Imports from these countries increased to 5 and 6 percent in 1957 and 1958 as a result of the 1956 amendment to the Sugar Act. It will be recalled that the quota of these countries amounts to 117,040 tons plus 15.41 percent of our sugar requirements above 8,350,000 tons. Our quota imports from these countries averaged 258,000 tons in 1957–59. As a result of the cessation of imports from Cuba in mid-1960, the imports from full-duty countries rose to about 1,631,000 tons in 1960 and to about 3,339,000 tons in 1961.

Changes in sugar tariff rates

While the sugar acts have been in effect, tariff rates on sugar have been cut 75 percent (see table 13). The institution of the sugar quota system for regulating sugar imports and domestic marketings placed tariffs in a secondary role in protecting and maintaining the American sugar industry. It became possible to reduce tariff rates without jeopardizing the industry's economic position.

The United States-Cuban Convention of Commercial Reciprocity of 1902 and the act carrying it into effect, approved in 1903, established preferential rates for Cuba. The treaty and the act specified that the tariff on Cuban sugar must be at least 20 percent below the tariff levied on sugar imported from the full-duty countries. In 1903, the Cuban rate was established at 1.348 cents a pound and the full-duty rate at 1.68 cents a pound. Thse rates were subsequently lowered and then increased, reaching a peak in 1930 under the Smoot-Hawley Act of 2 cents per pound for Cuban sugar and 2.5 cents a pound for full-duty sugar.

TABLE 14.—*U.S. sugar tariff, 1930–62*

[Cents per pound, 96°]

Date effective	Cuban sugar	Sugar from full-duty countries	Philippine sugar
June 18, 1930	2.00	2.5000	Free
June 8, 1934	1.50	1.8750	----
Sept. 3, 1934	.90	----	----
Sept. 11, 1939	1.50	----	----
Jan. 1, 1940	.90	----	----
Jan. 5, 1942	.75	----	----
July 29, 1942	----	.9375	----
Jan. 1, 1948	.50	.6875	----
June 6, 1951	----	.6250	----
Jan. 1, 1956	----	----	0.025
Jan. 1, 1959	----	----	.050
Jan. 1, 1962	----	----	.100

The first reduction was 0.5 cent a pound and was announced with, and made a part of, the total action in approving the Jones-Costigan Act of May 9, 1934. In this action the tariff on Cuban sugar was reduced to 1.5 cents a pound, effective June 8, 1934. The action was by Presidential proclamation under the "flexible" tariff provisions of the Tariff Act of 1930 (table 13).

Subsequently, sugar tariff rates were reduced under the Reciprocal Trade Agreements Act of 1934 and its periodic extensions and amendments. Under the terms of the exclusive agreement with Cuba concluded in connection with the General Agreement on Tariffs and Trade, the tariff on Cuban sugar has amounted to 0.5 cent a pound since 1948, while the full-duty rate has been 0.625 cent a pound since 1951. These reductions in tariff rates were made possible by the existence of programs under the several sugar acts.

The Philippine quota entered duty free until January 1, 1956, when it became subject to 5 percent of the Cuban duty rate. For the years 1959–61, it was dutiable at 10 percent of the Cuban rate. This rate will be increased by 3-year periods (to 20 percent beginning with the year 1962 and then successively to 40, 60, and 80 percent) to 100 percent of the Cuban duty rate from January 1 to July 3, 1974, and to the full-duty rate beginning July 4, 1974.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

SUGAR ACT OF 1948, AS AMENDED

* * * * * * *

TITLE II—QUOTA PROVISIONS

ANNUAL ESTIMATE OF CONSUMPTION IN CONTINENTAL UNITED STATES

SEC. 201. The Secretary shall determine for each calendar year, beginning with the calendar year 1948, the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the month of December in each year for the succeeding calendar year (in the case of the calendar year 1948, during the first ten days thereof) and at such other times during such calendar year as the Secretary may deem necessary to meet such requirements. In making such determinations the Secretary shall use as a basis the quantity of direct-consumption sugar distributed for consumption, as indicated by official statistics of the Department of Agriculture, during the twelve-month period ending October 31 next preceding the calendar year for which the determination is being made, and shall make allowances for a deficiency or surplus in inventories of sugar, and for changes in consumption because of changes in population and demand conditions, as computed from statistics published by agencies of the Federal Government; and, in order that such determinations shall be made so as to protect the welfare of consumers and of those engaged in the domestic sugar industry by providing such supply of sugar as will be consumed at prices which will not be excessive to consumers and which will fairly and equitably maintain and protect the welfare of the domestic sugar industry, the Secretary, in making any such determination, in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power, [shall take into consideration the relationship between the prices at wholesale for refined sugar that would result from such determination and the general cost of living in the United States as compared with the relationship between prices at wholesale for refined sugar and the general cost of living in the United States obtaining during 1947–49 as indicated by the Consumers' Price Index as published by the Bureau of Labor Statistics of the Department of Labor.] *shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term "parity index" as used herein shall mean such index as determined under section 301*

of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture. In order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers.

PRORATION OF QUOTAS

SEC. 202. [Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

[(a)(1) For domestic sugar-producing areas, by apportioning among such areas four million four hundred and forty-four thousand short tons, raw value, as follows:

[Area	Short tons, raw value
Domestic beet sugar	1,800,000
Mainland cane sugar	500,000
Hawaii	1,052,000
Puerto Rico	1,080,000
Virgin Islands	12,000

[(2) To the above total of four million four hundred forty-four thousand short tons, raw value, there shall be added an amount equal to 55 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds eight million three hundred and fifty thousand short tons, raw value. Such additional amount shall be apportioned among and added to the quotas established under paragraph (1) of this subsection for such domestic sugar-producing areas, respectively, as follows: (A) The first one hundred sixty-five thousand short tons, raw value, or any part thereof, by which quotas for the domestic areas are so increased shall be apportioned 51.5 per centum to the domestic beet sugar area and 48.5 per centum to the mainland cane sugar area; (B) the next twenty thousand short tons, raw value, or any part thereof, by which such quotas are so increased shall be apportioned to Puerto Rico; (C) the next three thousand short tons, raw value, or any part thereof, by which such quotas are so increased shall be apportioned to the Virgin Islands; (D) any additional amount shall be apportioned on the basis of the quotas established in paragraph (1) of this subsection as adjusted by subparagraphs (A), (B), and (C) of this paragraph (2).

[(b) For the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as specified in section 211 of the Philippine Trade Act of 1946.

[(c) (1) For the calendar year 1956, for foreign countries other than the Republic of the Philippines, by prorating among such countries an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section, on the following basis:

[Country	Per centum
Cuba	96
Foreign countries other than Cuba and the Republic of the Philippines	4

[Ninety-five per centum of the quota for foreign countries other than Cuba and the Republic of the Philippines shall be prorated

among such countries on the basis of the average amount imported from each such country within the quotas established for the years 1948, 1949, and 1950, except that a separate proration need not be established for any country which entered less than two per centum of the average importations within the quotas for such years. The amount of the quota not so prorated may be filled by countries not receiving separate prorations, but no such country shall enter an amount pursuant to this subsection in excess of one per centum of the quota for foreign countries other than Cuba and the Republic of the Philippines.

[(2) For the calendar year 1957 and for each subsequent calendar year, for foreign countries other than the Republic of the Philippines, (A) by prorating to Cuba 96 per centum and to other foreign countries 4 per centum of the amount of sugar, raw value, by which eight million three hundred and fifty thousand short tons, raw value, or such lesser amount as determined pursuant to section 201 exceeds the sum of four million four hundred and forty-four thousand short tons, raw value, and the quota established pursuant to subsection (d) of this section; and (B) by prorating 45 per centum of the amount of sugar, raw value, by which the amount determined pursuant to section 201 exceeds the sum of eight million three hundred and fifty thousand short tons, raw value, as follows:

[Country	Per centum
Cuba	29. 59
Peru	4. 33
Dominican Republic	4. 95
Mexico	5. 10
Other countries	1. 03
	45. 00

The above proration of 1.03 per centum to foreign countries other than Cuba, the Republic of the Philippines, Peru, the Dominican Republic, and Mexico shall be apportioned to such other countries whose average entries within the quotas during 1953 and 1954 exceeded one thousand short tons, raw value, on the basis of the average entries within the quotas from each such country for the years 1951, 1952, 1953, and 1954.

[(3) For the calendar year 1957 and for each subsequent calendar year, the proration of 4 per centum under paragraph (2)(A) of this subsection for foreign countries other than Cuba and the Republic of the Philippines shall be apportioned, first, by assigning to each such foreign country whose average entries within the quotas during the years 1953 and 1954 were less than one thousand short tons, raw value, a proration equal to its average entries within the quotas during 1953 and 1954; second, by assigning to each such foreign country whose average entries within the quotas during 1953 and 1954 were not less than one thousand nor more than two thousand short tons, raw value, a proration of three thousand short tons, raw value; third, by assigning to each foreign country whose average entries within the quotas during 1953 and 1954 were more than two thousand and less than three thousand short tons, raw value, a proration equal to the average entries from each such country within the quotas during 1953 and 1954, plus two thousand short tons, raw value; fourth, by assigning to each foreign country whose average entries within the quotas during 1953 and 1954 were not less than three thousand nor more than

ten thousand short tons, raw value, a proration equal to the average entries from each such country within the quotas during 1953 and 1954; and, fifth, by prorating the balance of such proration to such foreign countries whose average entries within the quotas during 1953 and 1954 exceeded ten thousand short tons, raw value, on the basis of the average entries within the quotas from each such country for the years 1951, 1952, 1953, and 1954.

[(d) Notwithstanding the other provisions of this title II, the minimum quota established for Cuba, including increases resulting from deficits determined pursuant to section 204(a), shall not be less than the following:

[(1) 28.6 per centum of the amount of sugar determined under section 201 when such amount is seven million four hundred thousand short tons or less; and

[(2) two million one hundred and sixteen thousand short tons, when the amount of sugar determined under section 201 is more than seven million four hundred thousand short tons.

The quotas for domestic sugar-producing areas, established pursuant to the other provisions of this title II, shall be reduced pro rata by such amounts as may be required to establish such minimum quota for Cuba.

[(e) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.] *Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—*

(a)(1) for domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

Area	*Short tons, raw value*
Domestic beet sugar	*2, 650, 000*
Mainland cane sugar	*895, 000*
Hawaii	*1, 110, 000*
Puerto Rico	*1, 140, 000*
Virgin Islands	*15, 000*
Total	*5, 810, 000*

(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under para-

graph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas;

(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: Provided, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

(b) for the Republic of the Philippines, in the amount of one million and fifty thousand short tons raw value of sugar.

(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less six hundred and sixty-seven short tons, raw value, for 1962 and less thirteen hundred and thirty-two short tons, raw value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

Country	Per Centum
Cuba	52.84
Peru	7.04
Dominican Republic	7.04
Mexico	7.04
Brazil	6.69
British West Indies	3.52
Australia	1.76
Republic of China	1.58
French West Indies	1.41
Colombia	1.23
Nicaragua	1.06
Costa Rica	1.06
India	1.06
Ecuador	1.06
Haiti	0.88
Guatemala	0.70
Argentina	0.70
South Africa	0.70
Panama	0.53
El Salvador	0.35
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35
Mauritius	0.35
Total	100.00

(B) for the 6-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph shall be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. For the period ending December 31, 1962 and for the calendar year 1963, any

such quantity as is authorized for purchase and importation under this paragraph (4) shall be allocated on the following basis:

(i) Country	Per centum
Republic of the Philippines	10
Peru	10
Dominican Republic	10
Mexico	10
Brazil	10
British West Indies	10
Australia	10
Republic of China	10
India	6.67
South Africa	6.67
Mauritius	6.66

(ii) the Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production of sugar, and other pertinent factors, countries with purchase authorizations under subparagraph (i) of this subsection will fill them at such times as will meet the sugar requirements of consumers. If the Secretary determines that any country will not so fill its purchase authorization at such time as will meet the sugar requirements of consumers, he shall cancel it to the extent that he determines it will not be so filled, and he shall authorize for purchase and importation into the United States a quantity of sugar equal to the amount of the purchase authorization so canceled by revising the authorizations for purchase and importation from the other foreign countries named in subparagraph (i) of this subsection by prorating such quantity among them. If the Secretary determines that any such country is unable to fill its revised authorization at such times as will meet the sugar requirements of consumers, he shall authorize the purchase and importation of such unfilled quantity from such foreign countries as he determines will meet the sugar requirements of consumers.

(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secertary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States;

(6) sugar shall not be authorized for purchase pursuant to pararaph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar;

(d) whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the

[*objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.*

(e) if a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

(f) the quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.

* * * * * * *

PRORATION OF QUOTA DEFICITS

SEC. 204. [(a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area will be unable to market the quota for such area. If the Secretary finds that any domestic area or Cuba will be unable to market the quota for such area, he shall revise the quotas for the domestic areas and Cuba by prorating an amount of sugar equal to the deficit so determined to the other such areas on the basis of the quotas then in effect: *Provided*, That any deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted under the provisions of section 202(a)(2) shall first be prorated to other domestic areas on the basis of the quotas then in effect. If the Secretary finds that the Republic of the Philippines will be unable to market the quota for such area, he shall revise the quotas for Cuba and foreign countries other than Cuba and the Republic of the Philippines by prorating an amount of sugar equal to the deficit so determined, as follows:

[To Cuba, 96 per centum; and

[To foreign countries other than Cuba and the Republic of the Philippines, 4 per centum.

[If the Secretary finds that foreign countries other than Cuba and the Republic of the Philippines cannot fill the quota for such area, he shall increase the quota for Cuba by an amount equal to the deficit.

[Whenever the Secretary finds that any area will be unable to fill its proration of any such deficit, he may apportion such unfilled amount on such basis and to such areas as he determines is required to fill such deficit; except that in the case of proration of any such deficit in any domestic sugar-producing area occurring by reason of inability to market that part of the quota for such area allotted

under and by reason of section 202(a)(2), the Secretary shall apportion the unfilled amount on such basis and to such other domestic areas as he determines is required to fill such deficit, and if he finds that no domestic area will be able to supply such unfilled amount, he shall add it to the quota for Cuba.

[(b) Whenever the Secretary finds that any country will be unable to fill the proration to such country of the quota for foreign countries other than Cuba and the Republic of the Philippines established under section 202(c), or that any part of such proration has not been filled on September 1 of the calendar year, he may apportion such unfilled amount on such basis and to such countries as he determines is required to fill such proration.

[(c) The quota or applicable proration for any domestic area, the Republic of the Philippines, Cuba, or other foreign countries as established under the provisions of section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under the provisions of subsections (a) and (b) of this section.]

(a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: Provided, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: Provided, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section.

ALLOTMENTS OF QUOTAS OR PRORATIONS

SEC. 205. (a) Whenever the Secretary finds that the allotment of any quota, or proration thereof, established for any area pursuant to the provisions of this Act, is necessary to assure an orderly and ade-

quate flow of sugar or liquid sugar in the channels of interstate or foreign commerce, or to prvent disorderly marketing or importation of sugar or liquid sugar, or to maintain a continuous and stable supply of sugar or liquid sugar, or to afford all interested persons an equitable opportunity to market sugar or liquid sugar within any area's quota, after such hearing and upon such notice as he may by regulations prescribe, he shall make allotments of such quota or proration thereof by allotting to persons who market or import sugar or liquid sugar, for such periods as he may designate, the quantities of sugar or liquid sugar which each such person may market in continental United States, Hawaii, or Puerto Rico, or may import or bring into continental United States, for consumption therein. Allotments shall be made in such manner and in such amounts as to provide a fair, efficient, and equitable distribution of such quota or proration thereof, by taking into consideration the processings of sugar or liquid sugar from sugarbeets or sugarcane, *limited in any year when proportionate shares were in effect to processings* to which proportionate shares, determined pursuant to the provisions of subsection (b) of section 302, pertained; the past marketings or importations of each such person; and the ability of such person to market or import that portion of such quota or proration thereof allotted to him. In making such allotments, the Secretary may also take into consideration and make due allowance for the adverse effect of drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions seriously and broadly affecting any general area served by the factory or factories of such person. The Secretary may also, upon such hearing and notice as he may by regulations prescribe, revise or amend any such allotment upon the same basis as the initial allotment was made.

SEC. 206. [Subject to the provisions of sections 207 and 408 relating to the suspension of quotas, sugar quotas shall be established pursuant to this Act for the calendar year 1948 within ten days after effective date of this Act.] *The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: Provided, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United*

States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act.

AMOUNT OF QUOTA TO BE FILLED BY DIRECT-CONSUMPTION SUGAR

SEC. 207. [(a) Not more than twenty-nine thousand six hundred and sixteen short tons, raw value, of the quota for Hawaii for any calendar year, plus an amount equal to the same percentage of twenty-nine thousand six hundred and sixteen short tons, raw value, that the increase in the quota for Hawaii under section 202 is one million fifty-two thousand short tons, raw value, may be filled by direct-consumption sugar.

[(b) Not more than one hundred and twenty-six thousand and thirty-three short tons, raw value, of the quota for Puerto Rico for any calendar year may be filled by direct-consumption sugar which shall be principally of crystalline structure, plus an amount equal to the same percentage of one hundred twenty-six thousand and thirty-three short tons, raw value, that the increase in the quota for Puerto Rico under section 202 is of one million eighty thousand short tons, raw value, which latter amount may be filled by direct-consumption sugar whether or not principally of crystalline structure.

[(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

[(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as specified in section 211 of the Philippine Trade Act of 1946.

[(e) Not more than three hundred and seventy-five thousand short tons, raw value, of the quota for Cuba for any calendar year may be filled by direct-consumption sugar.

[(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

[(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas.

[(h)(1) For the calendar year 1956, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar only to the extent of 1.36 per centum

of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: *Provided,* That each such country shall be permitted to enter an amount of direct-consumption sugar not less than the average amount entered by it during the years 1948, 1949, and 1950.

[(2) For the calendar year 1957 and each subsequent calendar year, the quota for foreign countries other than Cuba and the Republic of the Philippines may be filled by direct-consumption sugar to the extent of 1.36 per centum of the amount of sugar determined pursuant to section 201 less the sum of the quotas established in subsections (a) and (b) of section 202: *Provided,* That such limitation shall not apply to countries receiving prorations under section 202(c) of seven thousand short tons or less. The direct-consumption portion of such quota which is subject to the 1.36 per centum limitation referred to above shall be prorated to countries which receive prorations under section 202(c) of more than seven thousand short tons on the basis of average imports of direct-consumption sugar within the quota for the years 1951, 1952, 1953, and 1954.] *(a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.*

(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: Provided, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958 and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant

to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas.

LIQUID SUGAR QUOTAS

SEC. 208. [Quotas for liquid sugar for foreign countries for each calendar year are hereby established as follows:

[Country	In terms of wine gallons of 72 per centum total sugar content
Cuba	7, 970, 558
Dominican Republic	830, 894
British West Indies	300, 000
Other foreign countries	0]

A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest.

PROHIBITED ACTS

SEC. 209. All persons are hereby prohibited—

(a) From bringing or importing into the continental United States from Hawaii, Puerto Rico, the Virgin Islands, or foreign countries, (1) any sugar or liquid sugar after the applicable quota, or the proration of any such quota, has been filled, or (2) any direct-consumption sugar after the direct-consumption portion of any such quota *or proration* has been filled;

(b) From shipping, transporting, or marketing in interstate commerce, or in competition with sugar or liquid sugar shipped, transported, or marketed in interstate or foreign commerce, any sugar or liquid sugar produced from sugarbeets or sugarcane grown in either the domestic-beet-sugar area or the mainland cane-sugar area after the quota for such area has been filled;

(c) From marketing in either Hawaii or Puerto Rico, for consumption therein, any sugar or liquid sugar after the quota therefor has been filled;

(d) From exceeding allotments of any quota, direct-consumption portion of any quota, or proration *or allocation* of any quota, made to them pursuant to the provisions of this Act[.];

(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States.

EXPORTATION OF SUGAR

SEC. 211. (a) [The raw-value equivalent of any sugar or liquid sugar in any form, including sugar or liquid sugar in manufactured products, exported from the continental United States under the provisions of section 313 of the Tariff Act of 1930 shall be credited against any charges which shall have been made in respect to the applicable quota or proration for the country of origin. The country of origin of sugar or liquid sugar in respect to which any credit shall be established shall be that country in respect to importation from which drawback of the exported sugar or liquid sugar has been claimed.] Sugar or liquid sugar entered into the continental United States under an applicable bond established pursuant to orders or regulations issued by the Secretary, for the express purpose of subsequently exporting the equivalent quantity of sugar or liquid sugar as such, or in manufactured articles, shall not be charged against the applicable quota or proration for the country of origin.

(b) Exportation within the meaning of sections 309 and 313 of the Tariff Act of 1930 shall be considered to be exportation within the meaning of this section.

(c) [The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugar beets or sugarcane grown in such area: *Provided, however,* That any sugar or liquid sugar admitted free of duty from the Virgin Islands under the Act of Congress, approved March 3, 1917 (39 Stat. 1133), may be admitted within the quota for the Virgin Islands.] *The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area.*

* * * * * * *

TITLE III—CONDITIONAL-PAYMENT PROVISIONS

CONDITIONS OF PAYMENT

SEC. 301. The Secretary is authorized to make payments on the following conditions with respect to sugar or liquid sugar commercially recoverable from the sugar beets or sugarcane grown on a farm for the extraction of sugar or liquid sugar:

(a) That no child under the age of fourteen years shall have been employed or permitted to work on the farm, whether for gain to such child or any other person, in the production, cultivation, or harvesting of a crop of sugar beets or sugarcane with respect to which application for payment is made, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed; and that no child between the ages of fourteen and sixteen years shall have been employed or permitted to do such work, whether for gain to such child or any other person, for a longer period than eight hours in any one day, except a member of the immediate family of a person who was the legal owner of not less than 40 per centum of the crop at the time such work was performed. The Secretary is authorized to make payments, notwithstanding a failure to comply with the conditions provided in this subsection, but the payments made with respect to any crop shall be

subject to a deduction of $10 for each child for each day, or a portion of a day, during which such child was employed or permitted to work contrary to the foregoing provisions of this subsection.

(b) That there shall not have been marketed (or processed), except for livestock feed, or for the production of livestock feed, as determined by the Secretary, an amount (in terms of planted acreage, weight, or recoverable sugar content) of sugar beets or sugar cane grown on the farm and used for the production of sugar or liquid sugar to be marketed in, or so as to compete with or otherwise directly affect interstate of foreign commerce, [in excess of the proportionate share for the farm, as determined by the Secretary] *in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary,* pursuant to the provisions of section 302, of the total quantity of sugar beets or sugarcane required to be processed to enable the area in which such sugar beets or sugarcane are produced to meet the quota (and provide a normal carryover inventory) as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(c) * * *

ESTABLISHMENT OF PROPORTIONATE SHARES FOR FARMS

SEC. 302. (a) The amount of sugar or liquid sugar with respect to which payment may be made shall be the amount of sugar or liquid sugar commercially recoverable, as determined by the Secretary, from the sugar beets or sugarcane grown on the farm and marketed (or processed by the producer) not in excess of the proportionate share [for the farm, as determined by the Secretary] *for the farm, if farm proportionate shares are determined by the Secretary,* of the quantity of sugar beets or sugarcane for the extraction of sugar or liquid sugar required to be processed to enable the producing area in which the crop of sugar beets or sugarcane is grown to meet the quota (and provide a normal carry-over inventory) estimated by the Secretary for such area for the calendar year during which the larger part of the sugar or liquid sugar from such crop normally would be marketed.

(b) [In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugar beets and sugarcane marketed (or processed) within the proportionate share for the extraction of sugar or liquid sugar and the ability to produce such sugar beets or sugarcane, and the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interests of producers who are cash tenants, share tenants, adherent planters, or share croppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.] *Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In*

determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b). For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public

interest and to facilitate the sale of rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico.

(c) * * *

* * * * * * *

PRESIDENTIAL QUOTA ACTIONS

SEC. 408. (a) Whenever pursuant to the provisions of this Act the President finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar, he shall by proclamation suspend the operation, except as provided in section 207 of this Act, of all the provisions of title II above, and, thereafter, the operation of such title shall continue in suspense until the President finds and proclaims that the facts which occasioned such suspension no longer exist. The Secretary shall make such investigations and reports thereon to the President as may be necessary to aid him in carrying out the provisions of this section.

(b) [Notwithstanding the provisions of title II of this Act, for the period ending June 30, 1962:

[(1) The President shall determine notwithstanding any other provisions of title II, the quota for Cuba for the period ending June 30, 1962, in such amount or amounts as he shall find from time to time to be in the national interest: *Provided, however,* That in no event shall such quota at any time exceed such amount as would be provided for Cuba under the terms of title II in the absence of the amendments made herein, and such determinations shall become effective immediately upon publication in the Federal Register of the President's proclamation thereof:

[(2) For the purposes of meeting the requirements of consumers in the United States, the President is thereafter authorized to cause or permit to be brought or imported into or marketed in the United States, at such times and from such sources, including any country whose quota has been so reduced, and subject to such terms and conditions as he deems appropriate under the prevailing circumstances, a quantity of sugar, not in excess of the sum of any reductions in quotas made pursuant to this subsection: *Provided, however,* That any part of such quantity equivalent to the proration of domestic deficits to the country whose quota has been reduced may be allocated to domestic areas and the remainder of such quantity (plus any part of such allocation that domestic areas are unable to fill) shall be apportioned in raw sugar as follows:

[(i) There shall first be purchased from other foreign countries for which quotas or prorations thereof of not less than three thousand or more than ten thousand short tons, raw value, are provided in section 202(c), such quantities of raw sugar as are required to permit importation in such calendar year of a total of ten thousand short tons, raw value, from such country;

[(ii) There shall next be purchased from the Republic of the Philippines 15 per centum of the remainder of such importation;

[(iii) The balance, including any unfilled balances from allocations already provided, shall be purchased from foreign countries having quotas under section 202(c), other than those provided for in the preceding subparagraph (i), in amounts prorated according to the quotas established under section 202(c); except that any amount which would be purchased from any country with which the United States is not in diplomatic relations need not be purchased: *Provided,* That if additional amounts of sugar, including any amounts which would otherwise be purchased from any such country with which the United States is not in diplomatic relations, are required the President may authorize the purchase of such amounts from any foreign countries, without regard to allocation except that special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities;

[(3) If the President finds that raw sugar is not reasonably available, he may, as provided in (2) above, cause or permit to be imported such quantity of sugar in the form of direct-consumption sugar as may be required.] *In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable.*

(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appro-

priate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable.

* * * * * * *

TERMINATION OF ACT

SEC. 412. The powers vested in the Secretary under this Act shall terminate on [June 30], *December 31*, [1962] *1966*, except that the Secretary shall have power to make payments under title III under programs applicable to the crop year [1962] *1966* and previous crop years.

[EFFECTIVE DATE

[SEC. 413. The provisions of this Act, except where an earlier effective date is provided for herein, shall become effective January 1, 1948. As provided in section 513 of the Sugar Act of 1937, the powers vested in the Secretary under that Act shall terminate on December 31, 1947, except that the Secretary shall have power to make payments under title III of that Act under programs thereunder applicable to the crop year 1947 and previous crop years.]

INTERNAL REVENUE CODE OF 1954

CHAPTER 37

Subchapter A—Sugar

SEC. 4501. IMPOSITION OF TAX.

(a) GENERAL.—There is hereby imposed upon manufactured sugar manufactured in the United States, a tax, to be paid by the manufacturer at the following rates:

(1) on all manufactured sugar testing by the polariscope 92 sugar degrees, 0.465 cent per pound, and, for each additional sugar degree shown by the polariscopic test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

(2) on all manufactured sugar testing by the polariscope less than 92 sugar degrees, 0.5144 cent per pound of the total sugars therein.

The manufacturer shall pay the tax with respect to manufactured sugar (1) which has been sold, or used in the production of other articles, by the manufacturer during the preceding month (if the tax has not already been paid) and (2) which has not been so sold or used within 12 months ending during the preceding calendar month, after it was manufactured (if the tax has not already been paid). For the purpose of determining whether sugar has been sold or used within 12 months after it was manufactured, sugar shall be considered to have been sold or used in the order in which it was manufactured.

(b) IMPORT TAX.—In addition to any other tax or duty imposed by law, there is hereby imposed, under such regulations as the Secre-

tary or his delegate shall prescribe, a tax upon articles imported or brought into the United States as follows:

(1) on all manufactured sugar testing by the polariscope 92 sugar degrees, 0.465 cent per pound, and, for each additional sugar degree shown by the polariscopic test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

(2) on all manufactured sugar testing by the polariscope less than 92 sugar degrees, 0.5144 cent per pound of the total sugars therein;

(3) on all articles composed in chief value of manufactured sugar, 0.5144 cent per pound of the total sugars therein.

(c) TERMINATION OF TAX.—No tax shall be imposed under this subchapter on the manufacture, use, or importation of sugar or articles composed in chief value of sugar after [December 31, 1962] *June 30, 1967*. Notwithstanding the provisions of subsection (a) or (b), no tax shall be imposed under this subchapter with respect to unsold sugar held by a manufacturer on [December 31, 1962] *June 30, 1967*, or with respect to sugar or articles composed in chief value of sugar held in customs custody or control on such date.

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CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

SEC. 6412. FLOOR STOCKS REFUNDS.

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(d) SUGAR.—With respect to any sugar or articles composed in chief value of sugar upon which tax imposed under section 4501(b) has been paid and which, on [December 31, 1962] *June 30, 1967*, are held by the importer and intended for sale or other disposition, there shall be refunded (without interest) to such importer, subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to the tax paid with respect to such sugar or articles composed in chief value of sugar, if claim for such refund is filed with the Secretary or his delegate on or before [March 31, 1963] *September 30, 1967*.

OPPOSING VIEW OF PAUL FINDLEY

The Sugar Act is an example of supply management, the Government-control approach which has already been established in varying degrees in tobacco, cotton, rice, peanuts, and wheat. It is now being advocated by the administration for other commodities, notably feed grains.

Supply management can take various forms. Of these, our sugar control arrangement should qualify as the prototype for complexity, extent of Government power, and absence of competitive conditions.

Government control is so deeply imbedded in sugar production and marketing that even a gap of 1 month between the expiration of the present Sugar Act and the enactment of a new one is unthinkable.

Supply management in sugar has been succesful in stabilizing prices and supplies, but this has been achieved at a tremendous cost:

Prices to consumers are artificially high.

Consumers fork over the difference between low world-market prices and high U.S. prices.

A bureaucracy is established to administer the controls, and this payroll becomes a fixed burden.

An excise tax of one-half cent per pound is paid by the taxpayer. This, plus the tariff on imports, finances the program.

Almost nobody is happy. Only the favored few can share the sugar-quota pie, and these squabble endlessly because each wants a bigger cut. This is true of quota countries abroad and the tightly controlled circle of domestic producers and processors.

Those not cut in on the pie consider themselves unfairly treated. And so they are.

The right to grow and process acquires an artificial value and becomes capitalized into the land and business enterprise. Trade channels become rigid. This makes it difficult—if not impossible—ever to cast off supply management in favor of the competitive marketplace system.

Quotas are such rich prizes they are used as instruments of foreign policy and become tempting plums for influence peddlers.

The $22 million claim against the United States in behalf of the Dominican Republic is a case in point. The claim arises because the United States did not pay the full premium price for some of the sugar it purchased from the Dominican Republic in 1960–61. The price paid was above the world market, but still not sweet enough to satisfy an appetite long accustomed to easy money.

All this may appear to be an unbelievable chamber of horrors to those who believe in a competitive marketplace.

Be assured, it's a reality, and has been since 1934.

Through successive Sugar Acts (such as the one now before us), Congress specifies what countries will share in the sugar pie, how big each piece will be, and also the price of sugar to consumers.

The piece of the pie set aside for U.S. producers is subdivided by means of Federal licenses to sugar mills. Each mill contracts for

supplies from individual farmers. Acreage allotments were used until the last few years, and authority for them remains. This bill would reimpose allotments beginning next year.

U.S. sugar production has always been artificially supported, as sugar can be produced more economically in the tropics.

Until 1934, a simple tariff encouraged domestic production. Under this arrangement, all nations had equal access to the U.S. sugar market, by the tariff route, and all U.S. farmers had equal access within the tariff walls.

Under supply management, there is no such thing as equal access inside or outside the tariff walls. The right to market is apportioned arbitrarily by the U.S. Government to certain favored nations and within the United States to certain favored mills.

The supply management approach, whether it be applied to sugar or to corn, is clearly contrary to the goal of free trade. It also clearly breeds ill will among nations and heaps new burdens on U.S. consumers and taxpayers.

Rather than extend this rigid and costly system for another 5 years and thus make it all the more difficult to return to a marketplace system, we should begin to phase out quotas, and establish a means of protecting domestic sugar production more in accord with the competitive private enterprise system.

PAUL FINDLEY.

SEPARATE VIEWS OF HON. DELBERT L. LATTA

U.S. taxpayers are presently paying approximately $3 million per day to store and handle surplus agricultural commodities while at the same time American farmers are being forced to reduce their production and their income.

Sugar is not in surplus and must be imported. Both sugarbeets and sugarcane can be and are being grown in the United States. The committee bill grants only a very modest increase in the amount of sugar being produced in this country while at the same time substantially increasing the quotas of almost every other country (excluding Cuba) which has in the past furnished the U.S. market with sugar. In addition, many countries will for the first time be entitled to market sugar in the United States under the bill. It is interesting to note that domestic producers of beet sugar according to current estimates will produce in 1962 a total amount of sugar in excess of the domestic quota being established under the bill for 1963 and subsequent years.

Rather than give our own farmers and taxpayers a break by granting a meaningful and substantial increase in the American farmers' share of the American market, thereby cutting down on the production of surplus crops while increasing farm income, the majority of the committee has adopted legislation which will result in only 50,000 tons (approximately 20,000 acres) of the annual growth needs being allocated to new producers in the whole United States each year. This 50,000 tons seems less than a gesture when you consider the fact that our annual domestic consumption of sugar is approximately 9,700,000 tons.

Northwestern Ohio presently has three beet plants and our farmers have been producing beets for years. It seems very unfair to me to prevent these farmers and their neighbors from increasing their production of sugarbeets at a time when they are faced with the administration program of sharp cuts in the production of wheat, corn, oats, barley, grain sorghum, or rye.

DELBERT L. LATTA.

SEPARATE VIEWS

REVISION OF SUGAR ACT OF 1948

While we voted to pass the bill out of committee and recognized that taking all considerations into account, this bill is probably the best that could be done at this time, we feel it our responsibility—in view of the sugarbeet growing areas we represent—to point out some of the bill's shortcomings.

Since the Cuban quota was suspended, we believe beet growers in the United States have properly expected that a fair proportion of the sugar formerly supplied by Cuba would accrue to the benefit of our domestic sugar industry.

We would have preferred that the Cuban reserve be 2 million tons rather than the 1,500,000 tons. This would preserve a more equitable balance between the amount of the old Cuban quota distributed to domestic areas as compared to the amount distributed to foreign countries.

While it is not our desire to object to any increase in domestic production, we feel it is only fair to point out that the bill provides disproportionate quota increases to the beet producers as compared to the domestic cane industry. The adjusted basic quota for domestic beet sugar in 1962 would be increased from 2,400,000 tons to 2,650,000 tons—an increase of about 10 percent. The adjusted basic quota for mainland cane sugar for 1962 would be increased from 750,000 tons to 895,000 tons—an increase of about 20 percent.

While the formula for domestic beet participation in our domestic increase in sugar consumption has been raised a few percentage points, it is apparent that if technological increases in our productive ability continue at their present rate, total increased acreage of sugarbeets during the life of this bill will be very modest. We point this out because we feel many beet growers are anticipating a greater growth in sugarbeet acreage than is actually being provided for.

While the U.S. Department of Agriculture anticipates 1,183,000 acres of sugarbeets will be planted in 1962, the domestic beet quota for 1963 under the bill would be 2,720,875 tons. If average yields are achieved in 1963, including the normal increase in actual sugar yield per acre, only 1,146,000 acres would be required to produce the 1963 quota.

The provision in the bill providing for new processing plants in new areas would reserve about 20,000 acres each year out of the national sugarbeet acreage quota. Since the figures in the previous paragraph indicate that a somewhat smaller acreage from year to year may be required to produce the same amount of sugar, it is apparent that as 20,000 acres are set aside each year for new areas, some cut in acreage may have to be applied to the old growers. To explain further, it should be mentioned that the beet sugar producers portion of our domestic increase in consumption would be about 70,000 tons per year. The 20,000 acres set aside each year for new

plants in new areas is the equivalent of approximately 50,000 tons of sugar per year, therefore the remaining 20,000 tons per year would only be about half enough to absorb the average technological increase in yields per acre.

A change incorporated in this new sugar bill which will preclude to some degree increase in production of sugarbeets that has been possible under the old law is the provision that domestic deficits in production will be filled by foreign suppliers. Formerly domestic beet and mainland cane producers were permitted to supply Hawaiian and Puerto Rican deficits. We believe this is somewhat unfair to these domestic sugar producers.

While we would like to have seen the provisions of the bill relating to the purchase of our surplus agricultural commodities strengthened, and while we also agree with much of what Congressman Quie has said in his report, we have addressed our remarks to domestic provisions of the bill because of our immediate concern for the welfare of the domestic sugarbeet industry.

Despite the shortcomings of the bill, which we here set out, we think it is most important that consideration of long-term sugar legislation get underway promptly by Congress.

DON L. SHORT.
CATHERINE MAY.

OPPOSING VIEWS OF HON. ALBERT H. QUIE

I am opposed to H.R. 12154 for the following reasons:

1. It denies flexibility in administration of the Sugar Act and prohibits the President from exercising his responsibilities in our foreign policy;

2. It reduces the Cuban quota too far;

3. It gives permanent quotas to countries outside of the Western Hemisphere;

4. It gives permanent quotas to countries within the Western Hemisphere who already have a financial relationship with a nation outside the hemisphere to sell for premium prices; and

5. It provides for continual increases in the permanent quotas to foreign countries through a share in U.S. consumption increases.

I have a particular interest in sufficient quotas for domestic producers. It is important to understand that the domestic beet industry has not received any real increase in allowable production under the provisions of this bill.

As some of my colleagues have pointed out, growers of sugarbeets appraise growth in terms of total acres. Under this bill any increase from present levels in planted acres appears highly unlikely. The U.S. Department of Agriculture estimates that 1,183,000 acres are being planted to sugarbeets this year. Under average yields this crop would produce more than 2,800,000 tons of sugar. The major portion of this amount would be marketed in 1963 when, under the growth factor provision, the best area quota would be 2,720,000 tons. This excess in production over the allowable marketing quota would be added to inventories and would not result in an excessive carryover. Under normal conditions, however, acreages required to produce beet quotas in the remaining years of this act could be less than planted acreages of 1962.

Even though I would like to have seen higher domestic quotas, I am not objecting to the legislation for this reason: The sugar industry made the agreement on the domestic quotas which they will receive, and I do not wish to upset it. I will elaborate on my reasons for objecting to the bill.

GLOBAL QUOTAS

Other than to countries in the Western Hemisphere and the Republic of China and the Philippines, all of which are nations that we feel a financial obligation toward, I believe it would be unwise for the United States to continue to pay the high premium prices which amount to more than $50 a ton for its imports of sugar. If any nation were to sell to a country other than the United States, with the exception of certain preferential market nations, all the sugar could be secured at the world market price. It has been claimed by many that the premium price is necessary in order to secure adequate supplies of sugar from other countries of the world and thereby keep our sugar price to the consumer stable.

Quoting from Secretary Freeman's testimony before this committee, he stated—

> From the standpoint of the sugar economy, I would like to say that the so-called global quota would restore security of supply to a degree we have not known since Cuba became a Communist country. The administration has recommended global quotas, which would be secured by the imposition of an import fee, which would be variable depending on the world price of sugar.

In his testimony before the House Committee on Agriculture on May 16, 1962, the Secretary had this further to say about global quotas:

> At present, this part of our total sugar supply—about 2.5 million tons under the proposed bill—is broken up into a number of small compartments, each reserved for an individual country. A natural disaster in any one of them, a strike or other economic emergency, or a miscalculation as to production interferes with the flow of sugar from that source. This can no more be corrected quickly than it can be foreseen. With a global quota, our refiners have many countries from which to obtain their supplies. If a stoppage occurs in the flow from one source, additional quantities are readily available elsewhere. The situation reverts in essence to what it was when Cuba maintained a large reserve available on short notice when and as needed. I have heard it said that the so-called global quota will adversely affect security of our foreign sugar supplies. In fact, for the reasons I have stated, the reverse is true.
>
> I have also heard it said that the import fee system might cause a flood of sugar to appear in our ports at the beginning of a year or at some other time during the year. I believe that there need be no such fear. The very nature of the flexible import fee eliminates the danger. If the flow of such supplies increases unduly, it means that the world price of sugar is falling and the fee should and would be increased to compensate. On the other hand, if the flow of supplies wanes, it means that the world price of suagr is rising and the fee should and would be reduced correspondingly.
>
> Sugar users would gain no price advantage through the use of the system, but they would have much greater assurance of supplies. On the other hand, domestic producers need not fear adverse effect upon their interests. They would continue to receive the income protection which is inherent in the sugar program. Furthermore, for the long pull the sugar program and the income protection imparted to our domestic producers by reason of that program would be on a sounder footing than it has been at any time since Castro came to power in Cuba.

CONGRESS ASSUMES RESPONSIBILITY OF THE EXECUTIVE

When sugar is purchased from countries outside the United States, a certain amount of flexibility in administration is necessary, since it cannot be determined at the beginning of the year, the adequacy of

supplies of any specific country, as was pointed out previously. I think it is undesirable for the Congress to attempt to administer laws, as it is for the Executive to try to write our laws, which is constitutionally the responsibility of the Congress. In this case, I think the Congress is overstepping its bounds in attempting to allocate on a quota basis, either permanent or temporary, the country where every pound of sugar should be purchased. A realization of this is the provision in H.R. 12154 that each year the temporary quota shall be reallocated. Again the Congress will have to sit with the experts in the executive branch of the Government and find out from them where the sugar is available and where it is most desirable to purchase it. Then decisions should be made from the study of experts who have knowledge of the complete foreign sugar situation. Under our system of government, a decision needs to be made by the head of a department when foreign policy is involved and the great details must be considered before determining the country where sugar should be purchased, rather than compromising between the interests of the various Members of the Congress.

CUBA

As I pointed out earlier, I feel that the domestic quota is too small, that the potential of domestic production is so tremendous that we could produce all of our domestic needs in this country, and that this would be a great benefit to many of our own depressed agricultural counties, but that I am not objecting for this reason. However, in the bill introduced by the chairman for the administration, Cuba would have been allocated a permanent quota of 2,586,000 tons. H.R. 12154 has cut this to 1,500,000 tons. When the domestic sugar growers' organizations made their agreement as to the permanent quota which they will receive, an assumption was made that an agreement had been reached and the permanent quota allocated for Cuba would not be less than 2 million tons. In the event we should resume diplomatic relations with Cuba some time in the future, her quota should not be less than 2 million tons. As the Secretary of Agriculture stated in his testimony, "This change reserves for Cuba a market for a substantial quantity of the sugar crop when we resume diplomatic relations."

I also want to quote from our committee hearings from the statement of Mr. G. Griffith Johnson, Assistant Secretary of State for Economic Affairs, who represented Under Secretary Ball:

> Finally, and I hope that the committee will give special consideration to this factor, we must be prepared for the day when Cuba returns to the West. At that time, Cuba must have the opportunity to sell sugar in the U.S. market. If we continue to distribute the Cuban quota with the premium price to other countries, vested interests in the new and larger quotas would become entrenched. It would be extremely difficult to reduce these quotas so as to provide a market for Cuba's major export commodity. It also would provide Castro with a persuasive argument that the West has deserted the Cuban people and that their economic future lies with the Communist bloc. Making the Cuban quota available now to all friendly countries on a nondiscriminatory

basis would diminish the buildup of vested interests and still provide Cuba the opportunity to reenter our market.

Cuba, under the expiring legislation, has a permanent quota of 3,100,000 tons, and as the Secretary of Agriculture pointed out in his testimony, "Cuba's proration has been reduced sufficiently to accommodate the increases in domestic quotas." I think the permanent quota of 1,500,000 tons is too small if we are going to hold out an inducement to Cuba. However, it should also be pointed out that in all fairness, if the Congress decides to reduce Cuba's permanent sugar quota below 2 million tons, which was presumed to be the floor by the domestic sugar growers, these domestic sugar growers should share in the permanent reallocation of these quotas.

COUNTRIES OUTSIDE THE WESTERN HEMISHPERE

In the past, the United States has given permanent sugar quotas only to Western Hemisphere nations with the exception of the Republic of the Philippines, with which we have a treaty agreement, and the Republic of China whom we have been assisting ever since the Communists pushed them off the mainland—and for some reason which is hard to determine, a small quota was given to Canada and several Western European countries. Under this proposed bill, it is proposed to give substantial permanent quotas to the Union of South Africa, the Island of Mauritius, the Fiji Islands, Australia, India, and the Netherlands. It surely seems unwise to me that the United States should begin allocating permanent quotas to countries for which we feel no financial responsibility. I believe that any permanent quotas, outside the Western Hemisphere, in the future should be limited to the Republic of the Philippines and the Republic of China.

WESTERN HEMISPHERE

Under the expiring sugar legislation, certain countries in the Western Hemisphere have received permanent sugar quotas. In the past, no permanent quotas have been allocated to countries which have some financial arrangement for premium prices to be paid on sugar purchased by nations outside of the Western Hemisphere. This bill provides that French West Indies, British West Indies, and British Honduras would receive permanent sugar quotas from the United States, even though they already have sugar arrangements with the British Commonwealth or France, who in turn would have a demand which could be filled from sugar purchases from Cuba at the world price. We have had a ban on imports of sugar from Cuba for some time, and have been concerned about the possibility of transshipments through other countries. This surely looks like an indirect transshipment.

CONSUMPTION INCREASES

H.R. 12154 provides, as did the administration bill, that the increases in consumption in the United States each year will be allocated 63 percent to domestic producers and 37 percent to foreign sources. Although I do not agree that 63 percent is a sufficient amount to

allocate to our domestic producers with this great production potential, it is not the reason for my objection to H.R. 12154. An agreement has been reached by the domestic sugar industry to accept this figure. I disagree with the allocation of 37 percent of the annual increase in sugar consumption to the permanent quota countries whose quotas, if H.R. 12154 is passed, will have been substantially increased. If the Congress is to make the decision from time to time as to what permanent quotas should be allocated to any country for which we feel a financial obligation—as I pointed out—this should be limited to the Western Hemisphere, with the exception of the two countries, the Philippines and the Republic of China. No further increase in permanent quotas should automatically be allocated to them because of increased domestic consumption. I believe that this 37 percent should be secured on a global quota basis, that is, purchased from any country with whom we have diplomatic relations in the world.

I quote from the statement of Mr. G. Griffith Johnson, Assistant Secretary of State for Economic Affairs, who represented Under Secretary Ball:

> This fee would be approximately equal to the amount by which our domestic sugar price exceeds the foreign market price for sugar, except that for countries now having basic quotas, the fee would be imposed in five equal steps over the life of the act. It would eliminate substantially all this subsidy or price incentive which now stimulates foreign countries to struggle so desperately for a sugar quota in the U.S. market. In the absence of this price subsidy, the need for individual country quotas disappears. Within the limitations of an overall global quota, the market can then be opened to all friendly countries on a completely nondiscriminatory basis. The funds collected from the import fee would be deposited in the Treasury of the United States.

When the bill is considered on the floor of the House, I intend to offer a series of amendments which would:

1. Set the Cuban drawback at 2 million tons, rather than at 1.5 million tons as provided under the committee bill.

2. Set smaller quotas for fewer nations than is proposed by the committee bill. Only Western Hemisphere nations not connected with the United Kingdom and France along with the Philippines and the Republic of China should share in permanent quotas.

3. Establish a global quota system for the 2,160,000 tons not allocated to specific countries, rather than tying down every pound of sugar as the committee bill does.

4. Delete the authority in the bill for repaying Dominican Republic sugar interests some $22.8 million withheld by our Government from certain Dominican sugar imports in 1960 and 1961.

A comparison of present quotas, the committee bill, and my substitute follows:

	Present quota	Committee bill		Quie substitute, permanent only
		Permanent	Temporary	
Domestics	5,810,000	5,810,000		5,810,000
Cuba	3,100,000	1,500,000		2,000,000 (global quota)
Philippines	980,000	1,050,000	150,000	1,000,000
Peru	122,000	200,000	150,000	150,000
Dominican Republic	111,000	200,000	150,000	150,000
Mexico	95,000	200,000	150,000	150,000
Brazil	0	190,000	150,000	150,000
British West Indies	0	100,000	150,000	0
Australia	0	50,000	150,000	0
French West Indies	0	40,000		0
Nicaragua	17,000	30,000		20,000
Costa Rica	4,000	30,000		10,000
Republic of China	4,000	45,000	150,000	20,000
Ecuador	0	30,000		10,000
Colombia	0	35,000		10,000
Haiti	8,000	25,000		20,000
Guatemala	0	20,000		10,000
Argentina	0	20,000		10,000
India	0	30,000	100,000	0
South Africa	0	20,000	100,000	0
Panama	4,000	15,000		10,000
El Salvador	0	10,000		5,000
Paraguay	0	10,000		5,000
British Honduras	0	10,000		0
Fiji Islands	0	10,000		0
Netherlands	4,000	10,000		0
Mauritius	0	10,000	100,000	0
				730,000
Unallocated amounts for additional global quota				160,000
Total		9,700,000	1,500,000	9,700,000

ALBERT H. QUIE.

MINORITY VIEWS OF CONGRESSMAN RALPH F. BEERMANN

Item: I think it well to point out to the House the confinement inherent in the permanent assignment of quotas to foreign countries of 50 percent of the Cuban fallback (3,100,000). One million tons could have been assigned with the remaining 2 million tons retained for an influencing factor in Cuba's rejoining the free world nations.

Item: I question the wisdom of permanent assignment of quotas to countries outside the Western Hemisphere.

Item: I am alarmed because I believe there is a strong possibility the administration will use the supply management aspects of sugar legislation, dealing with a commodity in short domestic supply, as a means of "selling" Congress the same philosophy in other farm legislation.

I could see much more merit in this bill if it contained a provision (as one draft did) under which U.S. surplus farm crops could be exchanged for sugar on an equal dollar value basis. When the committee failed to include this provision I believe it missed a golden opportunity to help agriculture, the taxpayers, and U.S. farm income.

Item: This bill contains a provision under which the Dominican Republic would be paid $22 million, withheld from previous sales to keep the money from falling into the hands of a Dominican dictator. This $22 million is now the subject of litigation in the U.S. Court of Claims. For the committee to anticipate the decision of that tribunal is tantamount to bypassing established legal processes and amounts to an assumption of judicial power.

Item: To be more effective the provisions of the bill penalizing countries expropriating American property should be retroactive to January 1, 1962. Instances of expropriation have occurred since that date and just compensation has not been made to injured parties.

Item: Since this bill will probably be reported under a closed rule, I believe it would be well to point out that it was conceived and executed in some haste under the pressure of meeting a deadline. Because of that haste members of the committee have not had sufficient time to examine its ramifications. In addition this haste prevented an adequate assessment of the bill in its final form. A closed rule would further prohibit the House from exploring or amending the bill to its satisfaction.

Item: This bill allocates far too little of the domestic need to the domestic producers. Had the domestic producers been given larger allocations, it would have enhanced farm income, presented new opportunities for capital investment, and permitted a shift from producing crops in surplus to crops not in surplus.

ADDITIONAL MINORITY VIEWS OF CONGRESSMAN BOB DOLE

The Sugar Act Amendments of 1962 are very complex and it should be clearly understood that the measure now under consideration would extend the Sugar Act of 1948 from June 30, 1962, to December 31, 1966. Hearings on most phases of the bill have been extensive and the objections are laudable; however, I feel one or two areas deserve special comment.

First, I would point out that an amendment was offered to this bill by the chairman, Mr. Cooley, which in effect required our Committee on Agriculture to function as a jury in cases now pending before the U.S. Court of Claims involving the South Puerto Rico Sugar Co. which has sued our Government for approximately $6,800,000, the Dominican Sugar Co., which has filed suit for approximately $14 million, and the third importer which has not yet instituted suit but which will benefit by receipt of approximately $1,900,000, if the Cooley amendment remains in this bill.

The legality of any claims now pending in the U.S. Court of Claims or of any future claims depends upon imposition of a fee on nonquota sugar imported from the Dominican Republic during the period July 1, 1960, to March 31, 1961, and for the information of the Members I direct their attention to a report submitted to our committee by the U.S. Department of Agriculture.

[Submitted to House Committee on Agriculture by the U.S. Department of Agriculture]

Statements Concerning Fee Imposed on Nonquota Sugar Imported From the Dominican Republic During the Period July 1, 1960 to March 31, 1961

The Sugar Act of 1948 controls the supply of sugar for the U.S. market and, as a result, the price of sugar here is usually substantially higher than in the world market. The price difference is commonly referred to as the quota premium. The benefits of this quota premium to producers of sugar manufactured in foreign countries is a direct result of the operation of the Sugar Act.

Prior to July 6, 1960, Cuba supplied about one-third of the continental U.S. sugar requirements or, stated in another way, about three-fourths of the sugar imported into this country. On July 6, 1960, Public Law 86–592, 74 Stat. 330, was enacted which amended section 408 of the Sugar Act of 1948 to add a new subsection which provides in part that: "Notwithstanding the provisions of title II of this Act (title II pertains to the sugar quotas for domestic areas and foreign countries), for the period ending March 31, 1961:

"(1) The President shall determine notwithstanding any other provision of title II, the quota for Cuba for the balance of calendar year 1960 and for the 3-month period ending March 31, 1961, in such amount or amounts as he shall find from time to time to be in the national interest * * *."

"(2) For the purpose of meeting the requirements of consumers in the United States, the President is thereafter authorized to cause or permit to be brought or imported into or marketed in the United States, at such times and from such sources, including any country whose quota has been so reduced, and subject to such terms and conditions as he deems appropriate under the prevailing circumstances, a quantity of sugar, not in excess of the sum of any reduction in quotas made pursuant to this subsection: * * *."

Section 408(b)(2) then, in brief, provides that to the extent the President determines that supplies of sugar are needed to meet the requirements of consumers in replacement of the Cuban quota, Cuba's share in any deficits in domestic area quotas which forms a part of the reduction in Cuba's quota shall be allocated to domestic areas; that the remainder of the quantity needed shall be apportioned in raw sugar under a system of priorities to certain foreign countries; and that to meet the requirements of consumers the President may authorize the purchase from any foreign country of quantities of sugar which priority countries cannot supply.

It is generally recognized that the provisions of Public Law 86–592 were enacted as a consequence of the unfavorable actions and attitude of Cuba toward the interests of the nationals and the Government of the United States. By Proclamation No. 3355 effective July 8, 1960, the President reduced the Cuban quota for 1960 by 700,000 short tons.

Effective December 21, 1960, the President by Proclamation No. 3383 determined that the quotas for Cuba for the 3-month period ending March 31, 1961, should be zero.

In Proclamations No. 3355 and No. 3383 the President delegated to the Secretary of Agriculture the authority vested in the President by section 408(b)(2), such authority to be exercised with the concurrence of the Secretary of State. The quantities of sugar which may be authorized for entry under section 408(b)(2) are referred to as "nonquota purchase sugar" and are distinct from and in no way affect the quantities of sugar authorized to be entered under quotas pursuant to the provisions of title II of the Sugar Act of 1948, as amended.

By regulation published in the Federal Reigster (25 F.R. 9197) and effective September 26, 1960, the Secretary of Agriculture with the concurrence of the Secretary of State authorized the purchase and importation during 1960 of 321,897 short tons, raw value, of nonquota purchase sugar from the Dominican Republic. That regulation provided that as a condition for the importation of any nonquota purchase sugar a fee of $0.02 per pound raw value should be paid to the United States. This condition was imposed as

an appropriate means of carrying out the advice of the Department of State that under the prevailing circumstances attending the foreign policy of the United States, it was in the national interest that the nonquota sugar authorized to be purchased from the Dominican Republic should be purchased at prices which were lower than those then current in the United States, and which would reflect approximately the world market price.

By regulation of January 1, 1961 (25 F.R. 13864) the Secretary of Agriculture with the concurrence of the Secretary of State authorized the purchase and importation during the 3-month period ending March 31, 1961, of 222,723 short tons, raw value of nonquota purchase sugar from the Dominican Republic, and a fee of $0.0225 per pound, raw value, payable to the United States was required as a condition for importation of any such sugar. The imposition of such condition was based upon the same considerations as are stated above with respect to the fee of $0.02 per pound.

These fees applied to nonquota purchase sugar and did not apply to other sugar imported from the Dominican Republic under quotas established pursuant to title II of the act.

In both instances the amount of the fee, while approximating the quota premium, did not exceed the then quota premium which existed during the period nonquota purchase sugar was imported from the Dominican Republic. During the months of September through December 1960, the monthly average quota premium ranged from slightly under to slightly over $0.0225 per pound and for the months January to March 1961, it ranged from $0.0240 to $0.0245 per pound.

The South Puerto Rico Sugar Co. Trading Corp., entered about 30 percent of the total nonquota purchase sugar from the Dominican Republic during the last half of 1960 and the first quarter of 1961; the Porcella Vicini Co., about 8 percent and Trujillo affiliated interests about 62 percent.

The Sugar Act was again amended by Public Law 87–15 in March 1961, to relieve the President of the requirement to authorize the purchase of any nonquota purchase sugar from the countries with which the United States is not in diplomatic relations. No further nonquota purchase sugar was authorized from the Dominican Republic until the present year by which time diplomatic relations had been resumed.

The South Puerto Rico Sugar Co. Trading Corp. and the Dominican Sugar Corp. have brought action in the Court of Claims to recover the fees each paid as a condition for importing nonquota purchase sugar during the last half of 1960 and the first quarter of 1961. The South Puerto Rico Sugar Co. Trading Corp. seeks recovery of $6,885,861.79 and the Dominican Sugar Corp., $13,948,171.78. It is the opinion of the responsible legal authorities of the Government that the fee was properly and legally imposed.

It is clear as stated by the USDA the fee was properly and legally imposed, which opinion is shared by the Department of Justice as indicated by the following letters:

JUNE 14, 1962.

Hon. ROBERT J. DOLE,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN DOLE: With reference to the request by telephone of your Mr. Katz, there is enclosed herewith a copy of the memorandum of telephone conversation between you and Mr. John B. Miller, in relation to the Dominican sugar matter.

Sincerely yours,

JOSEPH D. GUILFOYLE,
Acting Assistant Attorney General.

JUNE 13, 1962.

Mr. JOSEPH D. GUILFOYLE,
Acting Assistant Attorney General, Civil Division.
JOHN B. MILLER,
Chief, Court of Claims Section.

DOMINICAN SUGAR CASES

I spoke with Congressman Robert J. Dole (code 180, extension 2715) on the telephone this morning about 10 o'clock with regard to a proposed amendment to the Sugar Import Act pending before the House Agricultural Committee, of which he is a member, which would authorize the refund of some $22,750,000 collected in import fees on sugar imported from the Dominican Republic in the fall of 1960 and the spring of 1961. These import fees, you will recall, were imposed because this Government did not want the Trujillo government of the Dominican Republic to realize additional profit from the difference between world market prices and the higher prices paid on the American market for sugar imported over and above their regular import quota. The regular import quota for the Dominican Republic and other sugar-producing countries was increased to make up the deficit resulting from the embargo on Cuban sugar which was imposed about that time due to the activities of the Castro regime. The South Puerto Rico Sugar Co. is suing for return of these fees in an amount of about $6,800,000, and the Dominican Sugar Co., for an amount around $14 million. There is a third importer which paid fees of some $1,900,000, but who has not yet instituted suit.

Congressman Dole wanted to know if the Department of Justice had valid defenses to the suits and if it intended to assert them. I pointed out to him that we did consider that we had valid defenses and that we had already asserted them in our answer. He said he had read our answer and knew its contents. He said that his position is that when a matter is pending in court, the Congress should not interfere and should let the court make the decision, but before taking that position before the committee he wanted to be certain that the Department had not already indicated to other sources that there was no defense to the cases or that the cases would not be defended. I assured him that the De-

partment, to my knowledge, had not so stated and that there would be no proper basis for that kind of statement. I also mentioned to the Congressman that it was my understanding that the State Department was not sponsoring the amendment, and he said he himself had been informed that the State Department was in fact opposed to it.

Mr. Katz, Congressman Dole's administrative assistant, called about 11 a.m. to ask for a letter based on our telephone conversation. I suggested that he write to the Department making that request, and he said he would do so.

It is strange our committee, or this Congress, would have any reason to interfere in this legal controversy. Certainly we will recognize our moral obligations, if any, to the present Dominican Government and the private companies involved; however, this is not the issue. The issue is whether or not a last minute, complex amendment authorizing payment of some $22,755,153.67 adopted without full and complete hearings should be presented in this manner. There is no apparent legal justification why Congress should preempt the executive and judicial branches of Government in this instance.

MEASURE LACKS IMPORTANT PROVISION

Nearly everyone talks about, speculates about, and frets about surplus agricultural commodities. An excellent method of insuring disposal of surpluses would have been to provide in this legislation that any sugar-producing nation receiving an allocation of sugar would receive it with the understanding the dollar credits would be used for purchase of surplus agricultural commodities in this country. No such provision is contained in this legislation and there is only a brief reference to such exchanges in the majority report.

On May 21, 1962, Clifford R. Hope, a former distinguished Member of Congress from the State of Kansas for many, many years, a former chairman of the Committee on Agriculture and now president of Great Plains Wheat, Inc., a market developing corporation supported by wheatgrowers in Colorado, Kansas, Nebraska, North and South Dakota, appeared before our committee and made the following statement:

[Partial Statement of Clifford R. Hope]

It is with this thought in mind that Great Plains Wheat has for the past 2 years been working on the idea of devising a procedure, legislative or otherwise, which would enable a sugar-producing nation to receive an allocation of sugar with the understanding that the dollar credits so generated would be used for the purchase of surplus agricultural commodities in this country.

Thanks to this committee, under the leadership of its distinguished chairman and other members, and to the Finance Committee in the Senate, the extension of the Sugar Act on March 31, 1961, contained a provision stating that in making allocations under the act, "* * * special consideration be given to countries in the Western Hemisphere and those countries purchasing U.S. agricultural commodities." But the committee did not stop there. On more than one occasion, it expressed itself vigorously on the

subject. In particular, it adopted a committee resolution on September 7, 1961, which reads as follows: "That the President be requested to instruct those in charge of administering the program that it is the clear intent of Congress that in making any such purchases of sugar for the calendar year 1962, clear preference is to be given those countries which offer to buy a reasonable quantity of U.S. agricultural commodities in return for the purchase of their sugar."

On February 12, 1962, a press release from the Department of Agriculture announced that (and I quote) "Subject to market conditions and other factors, some importations of sugar would be authorized from countries agreeing to purchase additional commodities," and that "Such authorizations will be in addition to any other quota a country may have under the U.S. Sugar Act, and are authorized by the provisions of the Sugar Act of 1948, as amended on March 30, 1961, Public Law 87–15."

Since then, pursuant to the legislation and in accord with the tenor and intent of the committee resolution of September 7, 1961, allocations of sugar quotas for 1962 have been made to a number of countries on the basis of agreements by such countries to purchase U.S. agricultural commodities. The countries involved, the amount of sugar allocated, and the agricultural commodities agreed to be purchased are as follows: Brazil, 50,000 short tons of sugar and an agreement to purchase wheat; India, 50,000 short tons and an agreement to purchase cotton; Republic of China (Formosa), 29,000 short tons, cotton and tobacco; Fiji Islands, 5,000 short tons, rice and flour; Ireland, 5,000 short tons, corn and grain sorghum; El Salvador, 5,000 short tons, wheat and yellow corn; Colombia, 5,000 short tons and Wheat; Guatemala, 5,000 short tons, item to be purchased, yellow corn. The total allocations amount to 154,000 short tons.

It seems to me that deals like this make sense. They not only tend to compensate for our lost agricultural outlets in Cuba, but if used extensively, open up important new dollar markets for agricultural commodities in many parts of the world. They contribute also to the stability of the developing countries by giving them assurances of more stable food supplies for their increasing population and an outlet for one of their principal surplus commodities. It also constitutes a foundation for future commerce in the normal channels of trade and shifts a part of our aid program to a trade program.

I am disappointed that the pending bill, H.R. 11730, does not contain language making possible sugar-agricultural commodity transactions as provided by the 1961 extension to which I have made reference, and on behalf of Great Plains Wheat desire to recommend that a similar or an even stronger provision be included in this measure.

In addition, the organization which I represent believes that even more can be accomplished in trade promotion and development if provisions are included in the bill which would provide allocations of sugar for the full period covered by the bill to countries which would agree to purchase U.S.

agricultural commodities. This, of course, would require amendment of the pending bill to provide for specific allotments to sugar producing countries for the full 5-year period rather than the global allotment as provided in the bill.

As an illustration of the possibilities both for the United States and foreign sugar-producing countries, I would like to bring to your attention the situation in Brazil. During the past 2 years, Great Plains Wheat has conducted extensive market development studies in that country. Early in the course of this activity, it appeared that sugar-wheat transactions offered possibilities for both countries.

Brazil is one of the world's largest sugar producers and in a position to expand its output if market outlets can be secured. It is also one of the world's greatest potential markets for wheat. As is well known, the population of Brazil is approximately half of that of South America and is increasing at an extremely rapid rate. As to the consumption of wheat, Brazil has a very low per capita consumption, approximately 32 kilos in 1960, the latest year for which I have figures. This compares with 74 kilos in the United States and much higher figures in such countries as Argentina and Chile where supplies are ample. In some areas, particularly the poverty stricken northeastern part of the country, the consumption is about 10 kilos per capita. As a matter of fact, Brazil's per capita consumption in 1960 was less than in 1953 and declined steadily from 1955 to 1960. The same thing is true of total consumption.

In the main, this has been due to a smaller supply of wheat. Domestic production, never a too important factor, has declined. Over the years, Argentina has been the principal supplier but has fallen down on its commitments during the past 2 years and has now suspended exports for this year. Our country has filled the gap to some extent with Public Law 480 shipments which have increased markedly. Brazil also has a bilateral agreement with Russia calling for imports at the rate of 200,000 metric tons through 1964, but this is a very small part of even the present low consumption.

The national target for the past few years has been a supply of 2,400,000 metric tons, but this has not been met for several years. This, of course, is low as indicated by per capita consumption. Careful studies indicate that under conditions of free purchases, Brazil would consume 3 million metric tons in 1962–63 with annual increases leading up to a figure of 4 million metric tons by 1970.

While Public Law 480 assistance helps it is not the whole answer because Brazil, like other countries, does not know when such supplies may be discontinued or curtailed. It cannot afford to expand imports even under 480 unless there is a cushion somewhere to fall back on. The answer lies in more trade, and with our need for sugar and Brazil's need for wheat, and with ample supplies of each in the respective producing countries, it is not surprising that wheat producers in this country and sugar producers in Brazil have been attempting to work out a practical solution of the matter.

Over the past several months, conferences have been held between representatives of the Brazilian Sugar and Alcohol Institute and representatives of Great Plains Wheat. Government officials in both countries have known of these conferences and have been kept informed of what was being discussed.

The principal spokesman for the Brazilian Sugar and Alcohol Institute has been Ambassador Edmund Barbosa da Silva, president of that organization. Lester L. Mort, until recently director of the Washington office of Great Plains Wheat, has represented our organization. Out of their conferences came an eight-page document which contains much pertinent information with respect to the wheat situation in Brazil. Page 8 contains a formula which in general terms outlines the conclusions and agreements reached between Ambassador da Silva and Mr. Mort. I would like to ask unanimous consent at this time to submit this document for the record as a part of my statement.

Undoubtedly there are many other sugar-producing countries which are comparable to Brazil in the respect that they are willing and able to purchase agricultural commodities from this country providing they can build up dollar balances from the export of sugar. Doubtless the committee will want to give consideration to such cases as may exist.

We had expected before this time to receive assurances that the Brazilian Government looked with favor on the proposals which I have discussed and would be prepared to make a proposal for a sugar-wheat transaction over a period of 5 years, providing that this legislation is passed in a form which would permit sugar allocations for that period. Such assurances have not yet been received, but I have been told they are on their way. I would like to have the consent of the committee to file them as a part of this statement when they are received.

Mr. Chairman, I consider the Sugar Act of 1934 a very wise piece of legislation. It has been extended a number of times and has operated satisfactorily and successfully for 28 years through war and peace, in prosperous times and in depressions. One reason for this is that it has been flexible enough to apply to changing situations.

The greatest change which has occurred has been the emergency of the Castro regime in Cuba. That has called for drastic measures, but it has been possible to take them without impairing the general purposes of the act. *A provision in this bill permitting a definite allotment for the life of the act to countries like Brazil, which are willing to take up the slack in American agricultural exports left by the defection of Cuba, would be in full harmony with the original purpose of the act and would strengthen both us and the recipient country receiving such an allotment.* The extent of the benefits received in terms of economic stability and market development would, in my opinion, depend materially on the length of time for which the allotment was made.

We have missed a golden opportunity to reduce surpluses in all areas by not providing specific language in the bill.

In conclusion, there is little likelihood potential new growers, or old growers, desiring to increase their production of sugarbeets in Kansas and elsewhere in this country will benefit substantially by enactment of this legislation. The provisions for new beet factories are vague and uncertain and it is anyone's guess where and when new factories may be built should this legislation be enacted in its present form. It would again appear the American farmer who is so desirous of raising sugarbeets, a crop obviously not in surplus, must stand in the shadow of foreign sugar interests, with little hope of improving the situation until the expiration of this act, December 31, 1966. If this is "supply management," then heaven help the farmer if the administration's 1962 farm bill should be enacted.

BOB DOLE.

○

Union Calendar No. 771

87TH CONGRESS
2D SESSION

H. R. 12154

[Report No. 1829]

IN THE HOUSE OF REPRESENTATIVES

JUNE 15, 1962

Mr. COOLEY introduced the following bill; which was referred to the Committee on Agriculture

JUNE 15, 1962

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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A BILL

To amend and extend the provisions of the Sugar Act of 1948, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: By striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the re-

lationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture. In order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) (1) for domestic sugar-producing areas, by

apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas;

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year

established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided,* That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202 (a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

"(b) for the Republic of the Philippines, in the amount of one million and fifty thousand short tons raw value of sugar.

"(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less

the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

"(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

"(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less six hundred and sixty-seven short tons, raw value, for 1962 and less thirteen hundred and thirty-two short tons, raw

value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

"Country	*Per centum*
Cuba	52.84
Peru	7.04
Dominican Republic	7.04
Mexico	7.04
Brazil	6.69
British West Indies	3.52
Australia	1.76
Republic of China	1.58
French West Indies	1.41
Colombia	1.23
Nicaragua	1.06
Costa Rica	1.06
India	1.06
Ecuador	1.06
Haiti	0.88
Guatemala	0.70
Argentina	0.70
South Africa	0.70
Panama	0.53
El Salvador	0.35
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35
Mauritius	0.35

"(B) for the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen

hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph, shall be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. For the period ending December 31, 1962, and for the calendar year 1963 any such quantity as is authorized

for purchase and importation under this paragraph (4) shall be allocated on the following basis:

"(i)

"Country	Per centum
Republic of the Philippines	10
Peru	10
Dominican Republic	10
Mexico	10
Brazil	10
British West Indies	10
Australia	10
Republic of China	10
India	6.67
South Africa	6.67
Mauritius	6.66

"(ii) the Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production of sugar, and other pertinent factors, countries with purchase authorizations under subparagraph (i) of this subsection will fill them at such times as will meet the sugar requirements of consumers. If the Secretary determines that any country will not so fill its purchase authorization at such time as will meet the sugar requirements of consumers, he shall cancel it to the extent that he determines it will not be so filled, and he shall authorize for purchase and importation into the United States a quantity of sugar equal to the amount of the purchase authorization so canceled by revising the authorizations for pur-

chase and importation from the other foreign countries named in subparagraph (i) of this subsection by prorating such quantity among them. If the Secretary determines that any such country is unable to fill its revised authorization at such times as will meet the sugar requirements of consumers, he shall authorize the purchase and importation of such unfilled quantity from such foreign countries as he determines will meet the sugar requirements of consumers.

"(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States;

"(6) sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any

foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar;

"(d) whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

"(e) if a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in

any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

"(f) the quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary

determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202 (c) (3) (A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided,* That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202 (c) (3) (A) as he determines is required to fill any such deficit: *Provided,* That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202 (c) (3) (A) can fill all of any such deficit whenever the provisions of section 202 (c) (4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202 (c) (4), and whenever section 202 (c) (4) does not apply he shall apportion such

unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately following the words "sugarbeets or sugarcane" the following language ", limited in any year when proportionate shares were in effect to processings".

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of

this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rule-making requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them

by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of

sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e) (1) None of the proration established for Cuba under section 202 (c) (3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204 (a) may be filled by direct-consumption sugar.

"(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202 (c) (3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202 (c) (3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204 (a) may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the

quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 8. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification

of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 10. (a) Section 211 (a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211 (c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. (a) Section 301 (b) of such Act is amended by striking out the language "in excess of the proportionate

share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302 (a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302 (b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugar-

cane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him

not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested

for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301 (b) of this Act, notwithstanding any other provisions of section 301 (b)."

SEC. 12. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202 (c) (4), or apportioned in accordance with section 204 (a), whichever procedure is applicable.

"(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens

or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of

section 202 (c) (4), or apportioned in accordance with section 204 (a) whichever procedure is applicable."

SEC. 13. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "June 30" and inserting in lieu thereof "December 31" and by striking out "1962" in each place it appears therein and inserting in lieu thereof "1966".

SEC. 14. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 15. (a) Section 4501 (c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" in each place it appears therein and inserting in lieu thereof "June 30, 1967".

(b) Section 6412 (d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" and inserting in lieu thereof "June 30, 1967" and by striking out "March 31, 1963" and inserting in lieu thereof "September 30, 1967".

SEC. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 shall become effective upon the date stated in regulations implementing such section and published in the

Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

SEC. 18. There is hereby authorized to be appropriated to the President an amount equivalent to all sums collected through special fees on nonquota purchase sugar imported from the Dominican Republic between September 26, 1960, and March 31, 1961, and deposited in the United States Treasury, which sums the President shall return to the Government of the Dominican Republic at such time as (1) the President has been notified by the Government of the Dominican Republic that all privately owned sugar companies which paid any such fees have entered into an agreement with the Government of the Dominican Republic to receive in Dominican currency their shares of such fees, after payments of Dominican taxes and amounts due colonos, and to utilize such net amounts in a manner designed to further the economic or social development of the Dominican Republic; and (2) the President has been advised by the Department of Justice that it has received assurance from the persons paying such fees that all present or potential claims against the United States based on the payment of such fees are thereby satisfied with no further liability to the United States.

Union Calendar No. 771

87TH CONGRESS
2D SESSION

H. R. 12154

[Report No. 1829]

A BILL

To amend and extend the provisions of the Sugar Act of 1948, as amended.

By Mr. COOLEY

JUNE 15, 1962

Referred to the Committee on Agriculture

JUNE 15, 1962

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

Issued June 19, 1962
For actions of June 18, 1962
87th-2d, No. 99

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HIGHLIGHTS: House debated sugar bill. Rep. Bass charged obstruction of farm legislation by Republican leadership. Rep. Jensen urged establishment of National Soil Tilth Research Center in Iowa.

SENATE

1. FORESTRY. The Public Lands Subcommittee ordered reported to the full Interior and Insular Affairs Committee with amendment S. 3112, adding lands to the Pike National Forest, Colo., and S. 1878, adding lands to the Wasatch National Forest, Utah, and without amendment H. R. 9822, to provide that lands within a national forest acquired under the Taylor Grazing Act may be added to the forest. p.D484

Sen. Morse announced the death of Lyle F. Watts and commended his service as Chief of the Forest Service. p. 9983

Sen. Morse inserted an article on the importance of tree planting. p.9988

2. TAXATION. The Finance Committee reported with amendments H. R. 11879, to provide for a 1-year extension of corporate normal-tax and excise-tax rates (S. Rept. 1604). p. 9942

3. CONTRACTS. The Banking and Currency Committee reported with amendment S. 3203, to extend the Defense Production Act (S. Rept. 1605). p. 9942

4. WILDERNESS PRESERVATION. Sen. Long, Hawaii, inserted an article by Wallace Stegner on the importance of preserving wilderness regions. pp. 9949-51

5. EXPORTS. Sen. Morse inserted an article, "Oregon's Share in Agricultural Exports" pp. 9987-8

6. LABOR-HEW APPROPRIATION BILL. The subcommittee concluded markup of this bill, H. R. 10904. p. D483

7. LEGISLATIVE PROGRAM. Majority Leader Mansfield announced his intention that the Senate begin meeting from about 10:00 a. m. to 7:00 or 8:00 p. m. until the end of the session, as may be necessary. pp. 9941-2

HOUSE

8. SUGAR. Began debate on H. R. 12154, the sugar bill (pp. 10004-36). The Rules Committee had reported earlier in the day a resolution for consideration of this bill (p. 10138). By a vote of 262 to 32 agreed to consider the Rules Committee resolution (pp. 10004-5).

Rejected an amendment by Rep. Abernethy to provide that the total amount of sugar needed to meet requirements of consumers in the continental United States shall not be less than the amount required after allowances for normal carryover, to give consumers of the continental United States a per capita consumption of 100 pounds (pp. 10033-5). By a vote of 77 to 95, rejected an amendment by Rep. Dole to strike a provision from the bill to authorize the payment of $22.8 million to the Dominican Republic Government and to American sugar companies for the entry fee imposed on nonquota sugar purchases during the Trujillo regime (pp. 10035-6). Pending at adjournment was a motion by Rep. Dole to recommit the bill to the Agriculture Committee with instructions to report it back with deletion of certain language, proposed in his amendment above (p.10036).

Attached to this Digest is the committee summary of the bill as reported.

9. TERRITORIES; DISASTER RELIEF. Passed without amendment S. 1742, to extend the authority of the Federal Disaster Act of 1950, authorizing Federal assistance to States and local governments in national disasters, to include Guam, American Samoa, and the Trust Territory of the Pacific Islands. This bill will now be sent to the President. p. 9992

10. PERSONNEL. Passed without amendment H. R. 11753, to establish a uniform principle of backpay to be followed by all Federal agencies in restoring to any employee pay and other benefits which he may have lost because of an unjustified or unwarranted personnel action that is later corrected by appropriate authority. pp. 9992-3

11. TRANSPORTATION. Passed over without prejudice, at the request of Rep. McFall, H. R. 11643, to clarify the Interstate Commerce Act relating to users of motor-water services between Alaska or Hawaii and the other 48 States. p. 9993

12. PUBLIC WORKS. Passed over without prejudice, at the request of Rep. Ford, S.J. Res. 68, to authorize and request the President to issue a proclamation designating the 7-day period beginning Oct. 14, 1962, as National Public Works Week. p. 9996

13. CONTRACTS. Passed under suspension of the rules H. R. 12061, to extend the Renegotiation Act of 1951. pp. 9998-10000

35. POSTAL SERVICE. S. 3435, by Sen. Jordan; to amend title 39 of the United States Code to permit the private carriage of letters and packets in certain cases; to the Post Office and Civil Service Committee

36. DEFENSE PRODUCTS. S. 3436 by Sen. Robertson, to amend the Defense Production Act of 1950; to Banking and Currency Committee

BILLS APPROVED BY THE PRESIDENT

37. WHEAT ACREAGE ALLOTMENTS. S. J. Res. 198, to authorize the Secretary of Agriculture to defer from June 15, 1962, until July 15, 1962, the issuance of a proclamation with respect to 1963 national wheat acreage allotments and marketing quotas. Approved June 15, 1962 (Public Law 87-485).

COMMITTEE HEARINGS JUNE 19:

Revision of school lunch apportionment formula, S. Agriculture (Davis, AMS, to testify).

Investigation of stockpiling program, S. Armed Services (Rawlings, FAS, to give technical information).

Federal pay bill, H. Civil Service (employee organizations to testify).

Foreign trade bill, H. Rules.

Improved program for recruitment and transportation of farm workers, S. Labor and Public Welfare (exec).

June 18, 1962

HOUSE AGRICULTURE COMMITTEE SUMMARY OF PROVISIONS OF SUGAR BILL, H. R. 12154

"Extends the act to December 31, 1966.

"Increases the quotas for domestic sugar producing areas at current levels of sugar consumption (9.7 million tons) about 625,000 tons and provides that those areas receive 63 percent of increases in consumption as compared to 55 percent under current legislation.....

"The Cuban quota of 1.5 million tons would be authorized for purchase from other countries on a temporary basis through December 1963.....

"Provides that a deficit in the quota or proration for any domestic area or foreign country would be prorated, in accordance with their basic quota or prorations, to quota countries with which the United States maintains diplomatic relations and which are able to fill such deficit. If these countries cannot fill all of such deficit, the remainder would be apportioned by the Secretary to nonquota countries with which we are in diplomatic relations. When we are not in diplomatic relations with Cuba or any other quota country and one of the countries named to supply the replacement sugar is unable to do so, the deficit would be authorized for purchase from other countries named in the bill and in the event they cannot supply it from other foreign countries.

"Provides that any nation or political subdivision thereof which hereafter unlawfully expropriates American-owned property or otherwise seriously discriminates against such property and fails to take remedial action within a reasonable time will have its quota, proration, or authorization to import sugar suspended if the President finds such action to be in the national interest.

"Provides that if the President, in his discretion, finds that any nation discriminates against U. S. citizens in its sugar program, he shall suspend the quota or other authorization of such nation.

"Authorizes the payment of $22.8 million to the Dominican Republic Government and to American sugar companies for the entry fee imposed on nonquota sugar purchases during the Trujillo regime.

"Provides that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation unless the Secretary finds that importation will not substantially interfere with attainment of the objectives of the act. The Secretary may also apply quotas to the sugar content of any sugar-containing product or mixture that has a history of importation in recent years if he finds that importation of the product or mixture will substantially interfere with attainment of the objectives of the act.

"Provides direct-consumption sugar limitations substantially similar to those in present legislation for Hawaii, Puerto Rico, and the Republic of the Philippines. It would limit the direct consumption sugar that may be entered from foreign countries other than the Republic of the Philippines to the average entries during the years 1957 to 1959 of such sugar from countries which receive a proration of 20,000 tons or less under the bill. No direct consumption imports would be permitted from countries, other than the Philippines, with quotas of more than 20,000 tons.

"Sets up a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses and eliminates other liquid sugar quota.

"Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas and only sugar produced in the Virgin Islands would be eligible to be brought into the continental United States within the quota for Virgin Islands.

"Provides that in any year when production is restricted in the beet sugar area, a national reserve of not more than the acreage required to yield 50,000 tons of sugar be assigned to farms on a fair and reasonable basis without regard to any previous production history for the purpose of making acreage available for expansion of the beet sugar industry. Also clarifies the circumstances under which the Secretary would establish grower proportionate shares and the Secretary's authority to consider the sugarbeet production history of farm operations in lieu of or in addition to the sugarbeet production history of land units, in regions where the Secretary determines that sugarbeet production is organized generally around persons rather than units of land and where personal history was generally used prior to 1962."

87TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
No. 1831

CONSIDERATION OF H.R. 12154

JUNE 18, 1962.—Referred to the House Calendar and ordered to be printed

Mr. O'NEILL, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 691]

The Committee on Rules, having had under consideration House Resolution 691, reports the same to the House with the recommendation that the resolution do pass.

O

House Calendar No. 250

87TH CONGRESS
2D SESSION

H. RES. 691

[Report No. 1831]

IN THE HOUSE OF REPRESENTATIVES

JUNE 18, 1962

Mr. O'NEILL, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

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RESOLUTION

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill, and shall continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be considered as having been read for amendment. No amendments shall be in order to said bill except

amendments offered by the direction of the Committee on Agriculture; an amendment to page 2, line 17, proposing to insert the following: "*Provided, however,* That the total amount of sugar needed to meet requirements of consumers in the continental United States shall not be less than the amount required after allowances for normal carryover, to give consumers of the continental United States a per capita consumption of 100 pounds."; and an amendment to page 25, lines 3 to 23, inclusive, strike out section 18; and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Agriculture may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment; nor shall the two additional amendments permitted under this rule be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

House Calendar No. 250

87TH CONGRESS
2D SESSION

H. RES. 691

[Report No. 1831]

RESOLUTION

Providing for the consideration of H.R. 12154, a bill to amend and extend the provisions of the Sugar Act of 1948.

By Mr. O'NEILL

JUNE 18, 1962

Referred to the House Calendar and ordered to be printed

(after applying subsections (a) and (b) and paragraph (1) of this subsection) otherwise allowable under this section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

"(A) in the case of the taxable year beginning with January 1, 1964, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and".

SEC. 2. The second sentence of section 904(e) of the Social Security Act (relating to crediting of earnings of unemployment trust fund) is amended to read as follows: "For the purpose of this subsection, the average daily balance shall be computed—

"(1) in the case of any State account, by reducing (but not below zero) the amount in the account (A) by the balance of advances made to the State under section 1201 from the Federal unemployment account, and (B) for any period after November 9, 1963, by the balance restorable to the Treasury under section 104 of the Temporary Unemployment Compensation Act of 1958, as amended, as limited by Public Law 85–457, and

"(2) in the case of the Federal unemployment account—

"(A) by adding to the amount in the account the aggregate of the reductions under paragraph (1), and

"(B) by subtracting from the sum so obtained the balance of advances made under section 1203 to the account."

With the following committee amendment:

Strike out all after the enacting clause and insert: "That if, in the case of any State, the fourth consecutive January 1 referred to in subparagraph (A) of section 3302(c)(2) of the Internal Revenue Code of 1954 (relating to reduced credits against the Federal unemployment tax) is January 1, 1961, such section 3302(c)(2) shall be applied by substituting 'fifth consecutive January 1' for 'fourth consecutive January 1' in such subparagaraph (A)."

Mr. MILLS. Mr. Speaker, I offer an amendment to the amendment in the nature of a substitute.

The Clerk read as follows:

Amendment offered by Mr. MILLS: Strike out all after the enacting clause and insert "That if, in the case of any State, the fourth consecutive January 1 referred to in subparagraph (A) of section 3302(c)(2) of the Internal Revenue Code of 1954 (relating to reduced credits against the Federal unemployment tax) is January 1, 1961, such section 3302(c)(2) shall be applied by substituting 'fourth or fifth consecutive January 1' for 'fourth consecutive January 1' in such subparagraph (A)."

Mr. MILLS (interrupting the reading). Mr. Speaker, I ask unanimous consent that the further reading of the amendment be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

(Mr. MILLS asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. MILLS. Mr. Speaker, the bill, H.R. 6145, as originally reported, would have postponed the application of reduced credit against the Federal unemployment tax for wages in calendar year 1961 applicable to employers in a State which received advances from the Reed fund. However, since no further action was taken on the bill in the House in 1961, a committee substitute for the amendment continues for 1962 the same reduction that was provided in 1961. Alaska is the only State in which employers would be affected by this bill.

Since 1954 the laws dealing with unemployment insurance have provided for a Federal unemployment account, originally called the Reed fund. Certain excess collections—amount remaining after payment of administrative expenses—under the Federal unemployment tax were held in the fund available to make advances to the States whose reserves were low relative to their current level of unemployment compensation benefits. It provides that if an advance is outstanding on January 1 of 4 consecutive years after a State secures an advance, the credit allowed to employers in that State against the Federal unemployment tax is to be automatically reduced unless outstanding advances are repaid before November 10 of such fourth consecutive year.

Ordinarily, employers are allowed a credit against the Federal unemployment tax—now 3.5 percent—of 2.7 percent on the first $3,000 of wages. The credit is reduced by 0.15 point for each year—beginning with the fourth—that the advance remains outstanding. For example, for the first year in which the reduced credit provisions would be in effect, it is provided that the credit against the Federal unemployment tax will be limited to 2.55 percent of the first $3,000 of wages. The additional Federal tax collected by virtue of the reduced credit provisions is offset against the advance—or the remaining balance of the advance—to the State. If some part of the advance is still outstanding by November 10 of the next year, the credit is further reduced to 2.40 percent of the first $3,000 of wages.

I should point out that the advances that are involved in the present bill do not relate to the advances made by the Federal Government to cover the cost of the temporary unemployment compensation program that was in effect in 1958 to 1959. The advances affected here are simply the advances from the Reed fund which were intended to deal with the emergency needs of State unemployment funds.

The State of Alaska has a highly specialized unemployment compensation problem due to the extremely high seasonal unemployment. In this situation, Alaska has made sincere efforts to carry its part of the unemployment cost. For purposes of the State tax, Alaska has the highest wage base, taxing wages up to $7,200 a year and Alaska, in 1960, had an average employer tax rate of 2.9 percent on this high tax base. In addition, Alaska is one of only three States that imposes an unemployment tax on the employee.

Despite these efforts, Alaska has had in the past a continuing problem with respect to the level of its unemployment fund. During the calendar year 1957 an advance of $2,630,000 was made. If all outstanding advances are not repaid this year, this will require an additional reduction in the credit available to Alaska employers against their Federal unemployment tax. A reduction was effected for 1961.

The bill, and the substitute amendment, were unanimously agreed to by the Committee on Ways and Means.

(On request of Mr. MILLS, Mr. BYRNES of Wisconsin and Mr. RIVERS of Alaska were given permission to extend their remarks at this point in the RECORD.)

[Mr. BYRNES of Wisconsin's remarks will appear hereafter in the Appendix.]

Mr. RIVERS of Alaska. Mr. Speaker, I am indebted to the distinguished chairman of the Ways and Means Committee, the gentleman from Arkansas [Mr. MILLS], to the distinguished ranking minority member, the gentleman from Wisconsin [Mr. BYRNES], and to the other members of the committee for the assistance and consideration they have given me in connection with this legislation.

As amended by the Ways and Means Committee, this bill would provide for a 1-year stretchout of the installment schedule required for repayment by Alaska's employers of an $8.5 million debt owed to the Federal unemployment account, commonly referred to as the Reed fund, established by statutory language in title XII of the Social Security Act.

The automatic payment provisions of section 3302(c) of the Internal Revenue Code of 1954 are in the nature of a reduced credit formula. In other words, when the employment security system of a State has been indebted for 4 years to the unemployment trust fund, from which benefits are paid, the credits on money thereafter paid into the fund are reduced below the amounts actually deposited, and the debt diminished accordingly. Concurrently the employers of the State are taxed a proportionately increased amount to maintain the existing level of benefit payments to the unemployed workers under the employment security system.

These reduced credits are on an escalator basis as follows: At the rate of 0.15 percent of the first $3,000 of each employee's annual wage on the first annual installment, followed by an additional 0.15 percent each ensuing year until payment in full.

Alaska's employers paid the first installment on January 1, 1962, on the basis of $4.50 per employee. Without the passage of this bill they will have to pay $9 per employee on January 1, 1963. With passage of this bill they would again pay at the rate of $4.50 per employee instead of $9 per employee. Since this is only a 1-year stretchout the escalator formula would thereafter be resumed unless further legislation along this line is enacted.

The employers of Michigan, whose employment security system is also indebted to the Reed fund, are also slated to pay $4.50 per employee on January 1, 1963. Pennsylvania will be in a similar position as of January 1, 1964. This legislation, by stopping the escalation of payments for 1 year so far as Alaska is concerned, would put Alaska on an

even footing with Michigan in regard to the rate of payment applicable on January 1, 1963. Thereafter the escalation formula would apply to both Alaska and Michigan at the same rate each year.

The difficulty being encountered by Alaska, Michigan, and Pennsylvania in carrying on their respective employment security systems will soon be further aggravated because of the 1961 Temporary Unemployment Compensation Act extending benefits for 13 weeks, and which extended benefits must yet be paid for. In this connection reduced credits of 0.4 percent will commence on January 1, 1963, and go on for 2 years. As to the 1958 extension of temporary unemployment benefits, participated in by 17 States, the reduced credit procedure will commence on January 1, 1964.

It was in the light of all these considerations that I undertook to obtain a 2-year postponement in regard to payments to the Reed Fund. It is apparent that there will soon be too much overlapping of credit reductions as to the three States I have mentioned. I speak of the hardship upon the economies and employers of these States because of the cumulative burden of overlapping reduced credit procedures.

I did not get the 2-year moratorium on the Reed Fund payments, but am nevertheless pleased with the 1-year stretchout compromise contained in this bill as reported by the Ways and Means Committee. It grants a breathing spell of 1 year during which Alaska will be on an equal payment footing with Michigan, and during which year the problem involved can be reviewed on an overall basis.

This bill has merit as evidenced by the report of the Department of Labor, and the unanimous action of the Ways and Means Committee in bringing it to the floor. I trust that it will meet with a favorable vote by the Members of this House.

The SPEAKER. The question is on the substitute amendment.

The substitute amendment was agreed to.

The committee amendment as amended by the substitute was agreed to.

The bill as amended was ordered to be engrossed and read a third time, was read the third time and passed.

The title of the bill was amended to read: "A bill to postpone for one year the second reduction in credits under section 3302(c)(2) of the Internal Revenue Code of 1954 (relating to reduced credits against the Federal unemployment tax) in the case of States to which such section applied for 1961."

A motion to reconsider was laid on the table.

EXTENDING DURATION OF COPYRIGHT PROTECTION IN CERTAIN CASES

Mr. WILLIS. Mr. Speaker, I ask unanimous consent to return to Calendar No. 731 and for the present consideration of House Joint Resolution 627, extending the duration of copyright protection in certain cases. I make this unanimous-consent request with clearance on both sides of the aisle.

The Clerk read the title of the resolution.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

Mr. PELLY. Mr. Speaker, reserving the right to object, I would like to advise the House that I had asked that this bill be passed over on the basis of a ruling in the committee. I have talked to other minority Members, and I understand there is no objection; therefore it is agreeable to me to have this resolution considered at this time.

Mr. ARENDS. Mr. Speaker, reserving the right to object, I know nothing of any agreement made on this side of the aisle.

Mr. WILLIS. I refer to the initial objector, the gentleman from Washington [Mr. PELLY], who objected to consideration of the resolution.

Mr. ARENDS. No one has said a word to me about it.

Mr. WILLIS. I have cleared it with those who had originally objected.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There being no objection, the clerk read the resolution, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That in any case in which the renewal term of copyright subsisting in any work on the date of approval of this resolution would expire prior to December 31, 1967, such term is hereby continued until December 31, 1967.

With the following committee amendments:

On lines 5 and 6 delete "1967" and insert in lieu thereof "1965".

The committee amendments were agreed to.

The House joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CALL OF THE HOUSE

Mr. O'NEILL. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 113]

Adair	Blatnik	Clancy
Addonizio	Blitch	Clark
Alexander	Bonner	Cook
Alford	Bow	Corbett
Andersen, Minn.	Boykin	Curtis, Mass.
Anfuso	Brademas	Curtis, Mo.
Ashley	Bray	Daddario
Ashmore	Brewster	Daniels
Ayres	Bromwell	Davis James C.
Baker	Broomfield	Dawson
Baring	Bruce	Dent
Barrett	Buckley	Diggs
Barry	Cahill	Dingell
Bass, N.H.	Casey	Donohue
Bennett, Mich.	Celler	Dooley
Dowdy	Keith	Rains
Downing	Keogh	Reifel
Dulski	Kilburn	Riley
Dwyer	King, Utah	Rivers, S.C.
Elliott	Kitchin	Robison
Ellsworth	Knox	Rooney
Farbstein	Kornegay	Roosevelt
Fascell	Kowalski	Rosenthal
Finnegan	Laird	Roudebush
Fino	Landrum	St. George
Flood	Loser	Santangelo
Fogarty	McDowell	Saund
Frazier	McMillan	Schenck
Frelinghuysen	Macdonald	Scranton
Garland	Mailliard	Selden
Glenn	Martin, Nebr.	Shelley
Gonzalez	Mathias	Sibal
Granahan	Marrow	Slack
Green, Pa.	Miller, Clem	Smith, Miss.
Hagan, Ga.	Miller George Pa.	Stubblefield
Halleck	Monagan	Teague, Tex.
Halpern	Moorhead, Pa.	Thompson, La.
Hardy	Morrison	Thompson, N.J.
Harrison, Va.	Moulder	Tollefson
Harsha	Multer	Tupper
Harvey, Ind.	Nedzi	Vanik
Healey	Nix	Wallhauser
Hoffman, Ill.	Nygaard	Whalley
Hoffman, Mich.	Osmers	Whitener
Horan	Passman	Wilson, Ind.
Ichord	Pilcher	Zablocki
Jones, Ala.	Powell	Zelenko
Kearns		Yates

The SPEAKER. On this rollcall 289 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

SUGAR ACT AMENDMENTS OF 1962

Mr. O'NEILL, from the Committee on Rules, reported the following privileged resolution (H. Res. 691, Rept. No. 1831), which was referred to the House Calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, and all points of order against said bill are hereby waived. That after general debtate, which shall be confined to the bill, and shall continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be considered as having been read for amendment. No amendments shall be in order to said bill except amendments offered by the direction of the Committee on Agriculture; an amendment to page 2, line 17, proposing to insert the following: "Provided, however, that the total amount of sugar needed to meet requirements of consumers in the continental United States shall not be less than the amount required after allowances for normal carryover, to give consumers of the continental United States a per capital consumption of 100 pounds."; and an amendment to page 25, lines 3 to 23, inclusive, to strike out Sec. 18; and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Agriculture may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment; nor shall the two additional amendments permitted under this rule be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage

without intervening motion except one motion to recommit.

Mr. O'NEILL. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 691 and ask for its immediate consideration.

The Clerk read the resolution.

The SPEAKER. For what purpose does the gentleman from Ohio [Mr. BROWN] rise?

Mr. BROWN. Mr. Speaker, to observe the proper parliamentary procedure, I think I should make a point of order against this resolution inasmuch as it has not been reported for 24 hours or longer; and in order to take the rule up at this time, it is my understanding, we must first suspend the regular rules of the House in order to permit taking up this rule that was reported just a few minutes ago.

The SPEAKER. Under the rules of the House, the resolution may be considered on the same day that it is reported, but it requires a two-thirds vote to consider the resolution. If the House votes to consider the resolution by the two-thirds vote required under the rules of the House, then the resolution will be considered under the rule providing for 1 hour of debate on the resolution.

Mr. BROWN. Is not the question before us now the suspension of the rules to take up the resolution?

The SPEAKER. This is the regular order as provided under the rules of the House.

Mr. BROWN. Mr. Speaker, I want to be sure I understand the situation. If you adopt this rule by a two-thirds vote, then you would not debate the rule at all; is that the situation?

The SPEAKER. The question before the House now is whether or not the House will consider the resolution. It requires a two-thirds vote to consider the resolution. If the two-thirds vote is obtained, then the resolution will be considered under the 1-hour rule providing for debate.

Mr. BROWN. Then, in effect, what you are doing is suspending the rules to take up the consideration of the rule.

The SPEAKER. The Chair will state that the question of consideration of the resolution is not the same as the question of suspension of the rules. This is the regular order as provided by the rules of the House, under rule 11.

Mr. BROWN. But it does have the same effect, and it is for the same purpose.

The SPEAKER. That is a matter for the gentleman from Ohio to decide and not for the Chair to decide.

Mr. BROWN. I think the gentleman is fairly familiar with the rules of the House.

The SPEAKER. The question is: Will the House now consider the resolution?

The question was taken, and on a division (demanded by Mr. GROSS) there were—ayes 99, noes 14.

Mr. GROSS. Mr. Speaker, I object to the vote on the ground that a quorum is not present, and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present. The doorkeeper will close the doors, the sergeant-at-arms will notify absent Members, and the clerk will call the roll.

The question was taken; and there were—yeas 262, nays 32, not voting 143, as follows:

[Roll No. 114]

YEAS—262

Abbitt	Harris	Pelly
Abernethy	Harrison, Wyo.	Perkins
Addabbo	Harvey, Mich.	Peterson
Albert	Hays	Pfost
Alexander	Hébert	Philbin
Andrews	Hechler	Pike
Arends	Henderson	Pilcher
Aspinall	Herlong	Pirnie
Auchincloss	Hoeven	Poage
Avery	Holifield	Poff
Bailey	Holland	Price
Baldwin	Hosmer	Pucinski
Baring	Huddleston	Purcell
Bass, Tenn.	Hull	Quie
Bates	Inouye	Randall
Battin	Jarman	Reuss
Becker	Jennings	Rhodes, Ariz.
Belcher	Jensen	Rhodes, Pa.
Bell	Joelson	Riehlman
Bennett, Fla.	Johansen	Rivers, Alaska
Berry	Johnson, Calif.	Roberts, Ala.
Blatnik	Johnson, Md.	Roberts, Tex.
Boland	Johnson, Wis.	Rogers, Colo.
Bolling	Jonas	Rogers, Fla.
Bolton	Jones, Mo.	Rostenkowski
Breeding	Judd	Roush
Brooks	Karsten	Rousselot
Burke, Ky.	Karth	Rutherford
Burke, Mass.	Kastenmeier	Ryan, Mich.
Burleson	Kee	Ryan, N.Y.
Byrne, Pa.	Kelly	St. Germain
Byrnes, Wis.	Kilgore	Schadeberg
Cannon	King, Calif.	Schneebeli
Carey	King, N.Y.	Schweiker
Cederberg	Kirwan	Schwengel
Chamberlain	Kluczynski	Scott
Chelf	Kunkel	Seely-Brown
Chenoweth	Lane	Shelley
Church	Langen	Sheppard
Clark	Latta	Shipley
Coad	Lennon	Short
Cohelan	Lesinski	Shriver
Colmer	Libonati	Sikes
Conte	Lindsay	Siler
Cooley	Lipscomb	Sisk
Corman	McCulloch	Slack
Cramer	McDonough	Smith, Calif.
Cunningham	McFall	Smith, Iowa
Curtin	McIntire	Smith, Miss.
Dague	McSween	Smith, Va.
Davis, John W.	McVey	Springer
Davis, Tenn.	Macdonald	Stafford
Delaney	MacGregor	Steed
Denton	Mack	Stephens
Derounian	Madden	Stratton
Dingell	Magnuson	Sullivan
Dole	Marshall	Taylor
Dominick	Matthews	Teague, Calif.
Doyle	May	Thomas
Durno	Meader	Thompson, Tex.
Edmondson	Michel	Thomson, Wis.
Everett	Miller, N.Y.	Thornberry
Evins	Milliken	Toll
Fallon	Mills	Tollefson
Feighan	Moeller	Trimble
Fenton	Montoya	Tuck
Fisher	Moore	Udall, Morris K.
Flynt	Moorehead, Ohio	Ullman
Ford	Morgan	Utt
Forrester	Morris	Van Pelt
Friedel	Morrison	Van Zandt
Gallagher	Morse	Vinson
Garmatz	Moss	Waggonner
Gary	Murphy	Walter
Gathings	Murray	Weaver
Gavin	Natcher	Weis
Giaimo	Nelsen	Westland
Goodell	Norbald	Whitten
Grant	Norrell	Wickersham
Gray	O'Brien, Ill.	Widnall
Green, Oreg.	O'Brien, N.Y.	Williams
Griffin	O'Hara, Ill.	Willis
Griffiths	O'Konski	Wilson, Calif.
Gubser	Olsen	Winstead
Hagen, Calif.	O'Neill	Wright
Haley	Ostertag	Young
Hansen	Patman	Younger
Harding		

NAYS—32

Alger	Dorn	Minshall
Anderson, Ill.	Findley	Mosher
Ashbrook	Fulton	Pillion
Beckworth	Goodling	Ray
Beermann	Gross	Reece
Betts	Hall	Rogers, Tex.
Brown	Hemphill	Saylor
Broyhill	Hiestand	Scherer
Collier	Kyl	Taber
Derwinski	Mahon	Wharton
Devine	Mason	

NOT VOTING—143

Adair	Ellsworth	Miller, Clem
Addonizio	Farbstein	Miller, George P.
Alford	Fascell	Monagan
Andersen, Minn.	Finnegan	Moorehead, Pa.
Anfuso	Fino	Moulder
Ashley	Flood	Multer
Ashmore	Fogarty	Nedzi
Ayres	Fountain	Nix
Baker	Frazier	Nygaard
Barrett	Frelinghuysen	O'Hara, Mich.
Barry	Garland	Osmers
Bass, N.H.	Gilbert	Passman
Bennett, Mich.	Glenn	Powell
Blitch	Gonzalez	Rains
Boggs	Granahan	Reifel
Bonner	Green, Pa.	Riley
Bow	Hagan, Ga.	Rivers, S.C.
Boykin	Halleck	Robison
Brademas	Halpern	Rodino
Bray	Hardy	Rooney
Brewster	Harrison, Va.	Roosevelt
Bromwell	Harsha	Rosenthal
Broomfield	Harvey, Ind.	Roudebush
Bruce	Healey	St. George
Buckley	Hoffman, Ill.	Santangelo
Cahill	Hoffman, Mich.	Saund
Casey	Horan	Schenck
Celler	Ichord, Mo.	Scranton
Chiperfield	Jones, Ala.	Selden
Clancy	Kearns	Sibal
Cook	Keith	Spence
Corbett	Keogh	Staggers
Curtis, Mass.	Kilburn	Stubblefield
Curtis, Mo.	King, Utah	Teague, Tex.
Daddario	Kitchin	Thompson, La.
Daniels	Knox	Thompson, N.J.
Davis, James C.	Kornegay	Tupper
Dawson	Kowalski	Vanik
Dent	Laird	Wallhauser
Diggs	Landrum	Watts
Donohue	Lankford	Whalley
Dooley	Loser	Whitener
Dowdy	McDowell	Wilson, Ind.
Downing	McMillan	Yates
Dulski	Mailliard	Zablocki
Dwyer	Martin, Mass.	Zelenko
Elliott	Martin, Nebr.	
	Mathias	
	Merrow	

So (two-thirds having voted in favor thereof) the House decided to consider House Resolution 691.

The Clerk announced the following pairs:

On this vote:

Mr. Laird and Mr. Keogh for, with Mr. Hoffman of Illinois against.

Until further notice:

Mr. Nedzi with Mr. Adair.

Mr. Anfuso with Mr. Wilson of Indiana.

Mr. Fogarty with Mr. Reifel.

Mr. Daniels with Mr. Martin of Massachusetts.

Mr. Celler with Mr. Bass of New Hampshire.

Mr. Daddario with Mr. Curtis of Missouri.

Mr. Multer with Mr. Halleck.

Mr. George P. Miller with Mr. Osmers.

Mr. McDowell with Mr. Sibal.

Mr. Rosenthal with Mr. Kilburn.

Mr. Roosevelt with Mr. Glenn.

Mr. Hagan of Georgia with Mr. Ayres.

Mr. Santangelo with Mr. Frelinghuysen.

Mr. Fountain with Mr. Nygaard.

Mr. Lankford with Mr. Corbett.

Mr. Kornegay with Mr. Bray.

Mr. Whitener with Mr. Wallhauser.

Mr. Downing with Mr. Bruce.

Mr. Gilbert with Mr. Ellsworth.

Mr. Donohue with Mrs. Dwyer.

Mr. Farbstein with Mr. Broomfield.
Mr. Green of Pennsylvania with Mr. Andersen of Minnesota.
Mr. Powell with Mr. Dooley.
Mr. Barrett with Mr. Bow.
Mr. Zablocki with Mr. Fino.
Mr. Zelenko with Mr. Garland.
Mr. Clem Miller with Mr. Bennett of Michigan.
Mr. Alford with Mr. Merrow.
Mr. Boggs with Mr. Halpern.
Mr. Dent with Mr. Clancy.
Mr. Finnegan with Mr. Tupper.
Mr. Ashmore with Mr. Keith.
Mr. Buckley with Mr. Bromwell.
Mr. Frazier with Mr. Schenck.
Mr. Brewster with Mr. Horan.
Mr. Dulski with Mr. Cahill.
Mr. Stubblefield with Mrs. St. George.
Mr. Watts with Mr. Harsha.
Mr. Rooney with Mr. Baker.
Mr. Nix with Mr. Robison.
Mr. Rodino with Mr. Curtis of Massachusetts.
Mr. Loser with Mr. Whalley.
Mr. Healey with Mr. Harvey of Indiana.
Mr. Moorhead of Pennsylvania with Mr. Roudebush.
Mr. Rivers of South Carolina with Mr. Knox.
Mr. Yates with Mr. Mailliard.
Mrs. Riley with Mr. Barry.
Mr. Rains with Mr. Chiperfield.
Mr. Scott with Mr. Kearns.
Mr. Ashley with Mr. Hoffman of Michigan.
Mr. Staggers with Mr. Martin of Nebraska.
Mr. Thompson of New Jersey with Mr. Mathias.

The vote was announced as above recorded.

The doors were opened.

The SPEAKER. The Chair recognizes the gentleman from Massachusetts [Mr. O'NEILL].

(Mr. O'NEILL asked and was given permission to revise and extend his remarks.)

Mr. O'NEILL. Mr. Speaker, at the conclusion of my remarks I yield 30 minutes to the gentleman from Kansas [Mr. AVERY].

Mr. Speaker, House Resolution 691 provides for the consideration of H.R. 12154, a bill to amend and extend the provisions of the Sugar Act of 1948. The resolution provides for a closed rule, waiving points of order, with 3 hours of general debate, providing for consideration of amendments offered at the direction of the Committee on Agriculture, an amendment to page 2, line 17, and an amendment on page 25 to strike lines 3 to 23, inclusive.

H.R. 12154 extends the Sugar Act of 1948, with amendments, from June 30, 1962, to December 31, 1966.

Basically, the Sugar Act of 1948, which superseded the Sugar Act of 1937, is intended to do three things: First, make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; second, assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and third, permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

The Sugar Act has been notably successful in attaining all three of these major objectives.

No other basic food has been more stable in supply and price, in wartime and in peacetime, than has sugar. The pressures that have caused great fluctuations in the prices of some foods, particularly the foods that we import, have had little inflationary effect upon sugar.

This bill touches on some very important aspects with regard to the present sugar problem.

Cuba in years past has been our largest supplier of sugar. In response to political upheavals in Cuba, Congress in 1960 authorized the President to reduce that country's quota in our market. Under this authority, the Cuban quota was brought down to zero and, by a special formula provided by the Congress, the sugar formerly supplied by Cuba now is obtained from domestic sources and from friendly nations. H.R. 12154 assigns to our own producers and to producers in friendly nations a portion of the sugar formerly supplied by Cuba, but the legislation holds to a hope that Cuba may soon throw off its Communist yoke and return to the family of free American nations. In this firm expectation, this legislation reserves a substantial portion of Cuba's former quota, for reassignment in the future to a free and independent Cuba.

Another interesting factor of this bill is that in the event that any of these nations who are presently friendly with us should for some reason or other not be as friendly as they are now or should they show acts of unfriendliness, there is a protective clause in the bill. The bill provides that any nation or political subdivision thereof which hereafter unlawfully expropriates American-owned property or otherwise seriously discriminates against such property and fails to take remedial action within a reasonable time will have its quota, proration, or authorization to import sugar suspended if the President finds such action to be in the national interest.

The bill also provides that if the President, in his discretion, finds that any nation discriminates against U.S. citizens in its sugar program, he shall suspend the quota or other authorization of such nation.

Mr. Speaker, there is also a provision in this bill that provides that replacement supplies of sugar authorized for importation in lieu of quotas of countries not in diplomatic relations with the United States, such as Cuba, shall be in raw sugar so long as raw sugar is reasonably available from all authorized sources combined. If the Secretary finds that raw sugar is not so reasonably available, he may authorize the purchase of direct-consumption sugar as required, but it must be only when it is reasonably available.

I want to make this statement on the RECORD. This takes care of the refineries of America. In other words, Cuba cannot send from Cuba or one of the countries not on our quota or unfriendly to us to a country that is friendly, and then have it brought in not in the raw state but in the refined state.

Under its protection, nearly one-third of our total consumption of sugar is produced by beet and cane growers within the continental limits of the United States and total domestic production fills more than one-half of our sugar quota. The Sugar Act has given us this security in supplies, and sugar prices to consumers have been remarkably stable during the lifetime of the act.

H.R. 12154 perpetuates these objectives and strengthens the Sugar Act by assigning a greater portion of the U.S. market to our own domestic beet and cane producers, and by a more equitable and dependable distribution of quotas, for the remainder of our market, among the producers of friendly nations, principally to the good neighbors of the United States in the Western Hemisphere.

Mr. Speaker, I urge the adoption of House Resolution 691.

Mr. AVERY. Mr. Speaker, I yield myself 7 minutes.

Mr. Speaker, we are under a most unusual procedure today as has been pointed out by various Members who have already addressed the House. In my four terms, I cannot recall ever having been confronted with this particular procedural issue in any other session.

The minority has a number of positions on this particular bill today, and if you have referred to the committee report, you will find that nearly every member of the minority of the Committee on Agriculture have their own separate views. Before the Committee on Rules this morning, the ranking minority member supported the request for a rule with certain reservations. Those reservations were met, and the rule that was granted is before the House this afternoon. I might say to the Members who have been here for more than this 87th Congress, I suppose you feel, perhaps, just a little bit as I do, that you ought to pack your bag, have your car parked out front and get ready to jump on an airplane or drive your car back to your district. Normally we are never permitted even to consider a sugar bill until late on the night of adjournment. Either this procedure today manifests a greater confidence in the Members of the House, that we are able to represent our various districts in enacting sugar legislation; or the leadership was prompted by a very practical situation, of having to move this bill up today to be considered previous to the bill to be brought up tomorrow which we describe as farm bill for 1962.

I am not opposing the consideration of this rule today. I am not going to oppose the bill—if certain amendments are approved. But, I do ask the question as to why we are confronted with a situation today whereby we were presented a bill—and only a bill, please understand—last Friday afternoon and notified it was to be before the Committee on Rules this morning. We did not have even a committee report until we got to the Committee on Rules. We voted the rule out, I think, about 15 minutes after 12 o'clock, and here we are some time

later in the afternoon now considering the legislation. All I can do is to project my mind as to the various possibilities.

One possibility is that the leadership and the majority of the House Committee on Agriculture are so busy working out compromises on the farm bill tomorrow that they had to have something to do today so we have this so-called Sugar Act scheduled for debate today. I am advised by grapevine or rumor or in whatever connotation you might like to place it, that substantial compromises—and this is the right word—substantial compromises have been made on the farm bill so that now the chances are much improved for its approval by this particular body some day later this week. I am very curious to know as to what those compromises are because we have been told by the majority now for some 2 weeks that the general farm bill for 1962 was a good bill; that it had been carefully worked out; that it is in the best interest of the taxpayers and the best interest of the Nation's agriculture. If all that were true, I do not know why we had to have any compromises. Maybe it is the practical situation. I noticed our distinguished Speaker had some observations to make on the minority's position on the farm bill over the weekend. I read them with a great deal of interest. If all he said were true and if all we are told by the majority of the committee is true, I cannot understand these compromises. It would seem to me, the majority would have stood firm on the proposition that they presented to the Committee on Rules, and they would be bringing it down here to the floor of the House, as I understand it, tomorrow without change.

I think my colleague on the Rules Committee, the gentleman from Massachusetts [Mr. O'NEILL] clearly enunciated the rather unusual rule you are considering this afternoon. But I would only point up the two amendments that were made in order by the Committee on Rules. I do not know that he designated the amendments by their sponsors, but I shall do so. One amendment is the so-called Abernethy amendment. I assume it will be presented to the House by the gentleman from Mississippi [Mr. ABERNETHY] the same as he presented it to our committee. It provides, as I understand it, that the national annual quota shall be established on the level that will assure at least 100 pounds per capita consumption throughout the ensuing year.

If there are valid objections to that amendment I will say those objections were not spelled out in the Rules Committee this morning. There may be some substantial objections this afternoon, but there was no persuasive objections to the provision this morning, although it was not supported by all witnesses.

The other amendment that is made in order by the Rules Committee, is the Dole amendment. This amendment that is to be offered and sponsored by my colleague, the gentleman from Kansas [Mr. DOLE], would delete from the bill the last section on page 25. This particular section authorizes a payment on a claim to certain interests of the Dominican Republic to the extent of $22,500,000. The position of the minority is that this matter is pending in the Court of Claims and does not lend itself to consideration by a legislative body at this time. It is a matter of jurisdiction and legislative precedent.

In regard to the bill itself I would only make one further observation. I would like to say, from my very limited knowledge of sugar legislation, that this bill is a modest improvement at least on legislation this House has considered on an emergency or a crash basis for the last 3 or 4 years. I can think of two good reasons. No. 1 is that the increase in domestic sugar consumption is preserved to the domestic producer by 63 percent as contrasted with the amount of 55 percent in the present act. Why it should not be 100 percent I do not know. I hope it will be spelled out in the general debate on the bill. It seems to me in view of the displacement of acres we have under our general farm program certainly every consideration should be given to permit domestic sugarbeet producers to take over the increase of our domestic consumption, the increase from year to year in our domestic requirements. I hope the majority will take the responsibility in the debate to explain to the House why we cannot preserve the increase in domestic consumption for domestic producers. That is a very simple question and is entitled to a frank and direct answer.

Other language in the bill I think is reasonably good is the provision, which is clearly spelled out in the bill, how the requirements for our domestic consumption will be met. The countries are listed on page 2 of the committee report and it does not, may I emphasize, does not leave to the discretion of the Secretary of State, the President, or the Secretary of Agriculture how they can use this imported sugar allotment for certain political considerations in the matter of foreign policy or to place with certain countries in which certain domestic operators have substantial interests.

In conclusion I would only say, Mr. Speaker, that perhaps we should consider the rule favorably, but we should look very carefully at the bill as amended.

Mr. O'NEILL. Mr. Speaker, I yield 5 minutes to the gentleman from Texas [Mr. ROGERS].

(Mr. ROGERS of Texas asked and was given permission to revise and extend his remarks.)

Mr. ROGERS of Texas. Mr. Speaker, I rise in opposition to the rule, not because I do not want a sugar bill discussed, but because I do not want a sugar bill discussed on this floor under a gag rule.

There are some very good merits to the bill before the House or that will be before the House if the rule is adopted. The only difficulty is that the bill will not be amended except in two instances that have been pinpointed by the Rules Committee, and many of us will be blocked from offering amendments.

This bill does something for several segments of the American economy, but it does nothing for the American farmer who is a producer of sugarbeets. Let me go back just a moment and show you what the situation has been and what we have been fighting for, for a number of years. Forty-five percent of the sugar the American people consume is imported.

In other words, almost one-half of the sugar that went on the cereal of the children of this country and into the coffee, into the cakes, and into the drinks, came from foreign countries. We in this country can be self-sufficient in sugar if we want to. It has been argued that we have to import this in order to sell goods to other countries. True in part, but only in part. Three million tons of that imported sugar from Cuba, and that three million tons was being imported at a subsidized price to Cuba. Even under those circumstances Cuba went communistic.

What happened to the 3 million tons of sugar that were taken away from Cuba? Did it go to the American farmer? Not 1 pound of it went to the American farmer. When the bill was extended provision was made that this would be purchased from other foreign countries. In that 3 million tons, plus, there was a sum of 375,000 tons of white sugar that came to this country. That is refined sugar.

What has happened in this bill? The refiners in this bill got that 375,000 tons knocked out. I have no objection to that, I think it is fine, I am for the refiners of this country, but I am not for the American farmer being denied the right to produce some of this sugar; 1,500,000 tons of the original Cuban sugar quota has been retained in this bill to go back to Cuba when, as, and if she decides to come back into the free world.

Where is that sugar coming from until the time that Cuba decides to become a free nation again and get out from under the domination of communism? It is coming from other foreign countries. Remember, Mr. Chairman, those other foreign countries heretofore did not have a production of sugar.

They did not have the allocations and they did not have these quotas. They say they are going to provide for the expansion of the sugarbeet industry in this country. This bill does not do it, because it does not bring into production in this country any of the sugar represented by this that formerly went to Cuba.

There has been an increase in the domestic allotments insofar as sugarbeets are concerned, but if you ever go over the record you will find a substantial part of that increase is an increase that the sugarbeet people already had before because they were making up deficits of the offshore domestic producers, such as Hawaii, Puerto Rico, and the Virgin Islands.

The question here is whether we are going to utilize some of this sugar that formerly went to Cuba, and permit the American farmers to shift over from surplus crops in some areas and use this sugar production. If you took only one million tons, one-third of the sugar Cuba

was sending in here, and turned it over to the American farmer, you could take 400,000 acres out of the production of surplus crops.

The difficulty about this thing is this: We appreciate in my country the little things that were done for the sugarbeet farmers, a few hundred thousand increase, which we had actually anyway; but we are getting tired of being mendicants at the table of a bunch of international speculators, and that is exactly what has happened.

The situation that we are going to be faced with if this bill passes the House, you are going to have quotas nailed down for 5 years. I want you to remember the fact when you are called upon to take this all the way or take none of it, that Cuba went communistic when it was selling this country one-third of our sugar. How long are we going to continue to discriminate against the American farmer and in favor of the foreigner?

Mr. Speaker, I think it is something that ought to be very carefully weighed. I think it ought to be debated on the floor of this House so all of the Members of the House who were duly elected by the American people could express their will. The American people did not send you to the Congress to let the sugar industry write a bill to be shoved through this House on a moment's notice and under a gag rule. I think it is time that the Members of this House stood up and were counted on this issue.

Mr. AVERY. Mr. Speaker, I yield 3 minutes to the gentleman from Iowa [Mr. GROSS].

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Speaker, I want to join my colleague, the gentleman from Texas [Mr. ROGERS], in protesting this rule. Not only is it unusual but it is an unnecessary rule. If the House Committee on Agriculture, knowing it had a deadline to meet, had brought this legislation to the House in due time we would not now be confronted with this pressure move. Just think of it: this rule was approved by the Rules Committee at 12:15 this afternoon. This is a bad precedent that will be set this afternoon if the pending procedure is approved.

Mr. Speaker, this bill ought to be brought to the House so that it can be amended. Why should it come in under a gag rule? Page 23 of the bill contains a provision by which the President can withhold quotas if a country fails to cooperate, a country that is benefiting. But then it uses these famous words: "The President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota," and so forth. You remember the old Battle Act by which the President could withhold foreign aid from any country which sold strategic materials to Communist countries. The Battle Act is a dead letter today or practically a dead letter and has been under Truman, Eisenhower, and under Kennedy. Why? Because Presidents Truman, Eisenhower, and Kennedy found it to be in the national interest not to invoke the Battle Act and stop the trading in strategic materials with Communist countries. To leave to any President—I do not care who he is—the exclusive determination of national interest takes practically all the teeth out of this provision. What is in the national interest? Everything is in the national interest. So I say that you might as well throw the provision out of the window, because it will not be invoked. It was not used under the Battle Act except in very rare instances.

Mr. Speaker, the rule ought to be defeated and the bill brought in so that we can amend it in this and other respects.

Mr. O'NEILL. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

SUGAR ACT AMENDMENTS OF 1962

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1962 as amended.

The SPEAKER. The question is on the motion offered by the gentleman from North Carolina.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 12154, with Mr. DAVIS of Tennessee in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from North Carolina [Mr. COOLEY] is recognized for 1½ hours, and the gentleman from Iowa [Mr. HOEVEN] is recognized for 1½ hours.

The Chair recognizes the gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, I shall be very brief in presenting this legislation. However, I do want to make a few observations: First, I desire to say that the sugar program has worked so well for so long that the average housewife in America has not been aware of the fact that we have had a program in effect for more than 25 years. During all of that time, both in war and in peace, we have had an adequate supply of sugar at reasonable prices.

Mr. Chairman, the program has operated in such a way as to prevent wide fluctuations in prices. It has been accomplished year in and year out. During most of the life of the program, we have had a very reliable source of supply just off our southern coast on the island of Cuba. We acquired in excess of 3 million tons of our sugar from Cuba. However, when Cuba went communistic and we broke diplomatic relations with Cuba, we authorized the President to authorize the Department of Agriculture to issue permits to bring sugar in from other sources.

Mr. Chairman, the basic principles involved in the sugar program, I am quite certain, are familiar to all of the Members of this House. It means life or death to the domestic industry, for the very good reason that our domestic producers cannot compete with foreign sources. So, the program came into effect, first, to protect our domestic producers and our domestic consumers, and to provide an adequate supply at reasonable prices. That has been accomplished as a result of this law.

Mr. Chairman, during all of the last session of Congress, I expected to receive recommendations from the administration. I would like for the gentleman from Iowa [Mr. GROSS] to hear this. We waited the entire session out, and I did not receive recommendations from the administration concerning the sugar program or legislation related thereto. We waited into this session—well into the session—and we still did not receive recommendations from the administration. So, realizing that we were facing a deadline, I announced that notwithstanding a lack of recommendation from the present administration, we would start hearings on a certain date. We did start hearings. The hearings were continued for a great length of time. I announced to begin with that all interested persons desiring to be heard would be given an opportunity to be heard. That was done. All persons desiring to be heard were actually heard. Then, we went into executive session. Day after day after day we considered this bill, paragraph by paragraph. We were faced, then, with this situation: At my suggestion, the domestic industry held conferences during all of the last session of Congress and all of this session of Congress. They worked diligently and carefully in trying to comprise, and compose all of their differences. They collaborated with Members of Congress who were interested in the people in the new growing areas, the people living in areas which now want to get into the sugarbeet business, or sugarcane business.

Mr. Chairman, the industry was able to reconcile and compose differences. They agreed upon the domestic program. Then I suggested that they take it up with the administration in an effort to reach an agreement with the administration regarding the provisions of the bill that they had agreed upon. That was done; and after many conferences with officials of the executive branch of the Government the domestic industry reached an agreement with the Executive. So, when we started our deliberations we had that much of an agreement. We then were faced with the necessity of passing upon very serious recommendations which had been submitted by the administration. The first was a recommendation which proposed to do away with quotas and to go on what they called a global-quota basis, which actually meant no quotas at all. The second was a recommendation to the effect that we recapture these so-called premiums.

We know enough about this program to realize that if we do away with quotas and do away with premiums, the only thing you have left will be payments to the domestic producers, and those payments would stand up like a sore thumb and would be difficult for us to justify. And I, for one, have been interested in this program for the reason that it has worked so well in so many areas and means so much.

So we took a vote on these proposals and the global-quota idea was rejected, I think unanimously. The recapture of premiums was likewise unanimously rejected.

Then we took into consideration the fact that we should deal with our friends. so we expanded this act to include 15 or 16 new countries, mostly in the Western Hemisphere. Bear in mind that our one main objective was to acquire an abundant and adequate supply of sugar for the domestic market, and that I think we have done under this bill.

When the Soviets joined hands with Cuba, the two countries controlled about 75 percent of the free sugar in the world market. If that is true, it is easy to see that those two, working together, might very well manipulate the world markets, drive prices down to starvation levels, or carry prices up 20 or 25 cents per pound.

Mrs. BOLTON. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentlewoman from Ohio.

Mrs. BOLTON. Mr. Chairman, I am a housewife. I am just wondering what is the matter with Ohio sugar. It used to be nice and sweet and there used to be a lot of it. I understand that it gets cut down under this proposal, which would make things quite difficult for our sugar industry.

Mr. COOLEY. I do not quite understand the gentlewoman.

Mrs. BOLTON. What is the matter with Ohio sugar? The farmers of Ohio think we did not get a square deal in this. Ohio has quite a little bit of sugarbeet area.

Mr. COOLEY. I am certain that the Ohio farmer has been treated just as fairly as any other farmer in any other section of the country.

Mrs. BOLTON. Then I think it is too bad for the farmers of the country.

Mr. COOLEY. The farmers of the country could not stay in the sugar business and would face bankruptcy if we did not have this program. They will all tell you that.

Mrs. BOLTON. But I believe there will not be as much sugar in the United States when this bill is passed, if it is passed, and I suppose you are quite able to do that; there will not be as much sugar as we have now.

Mr. COOLEY. Oh, yes. Hundreds of thousands of tons more sugar will be produced on the mainland and in the offshore areas. The gentleman from Texas [Mr. ROGERS] left the impression, I think, that the sugar growers had not been treated well under this act. The truth is they got all the deficit from Hawaii, Puerto Rico, and the Virgin Islands, and they have now frozen those deficits into the permanent allocation, and they are perfectly happy.

Mrs. BOLTON. The gentleman does not mention Ohio sugar.

Mr. COOLEY. I did not know there was such a thing as Ohio sugar; I never heard of Ohio sugar.

Mrs. BOLTON. We have heard of it in Ohio. It has been a very fine contribution to the sugar of this country.

Mr. COOLEY. I am sure it is not as sweet as the delightful lady from Ohio.

Mrs. BOLTON. I thank the gentleman; it is very sweet sugar.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Iowa.

Mr. GROSS. Is it not a fact that the producers, the farmers of the United States, could produce every pound of sugar that we consume if they were given that opportunity?

Mr. COOLEY. I think the gentleman is probably right, but only at a higher price to consumers and a higher subsidy than we are now paying.

Mr. GROSS. So that this is in effect a sort of foreign giveaway.

Mr. COOLEY. No; I do not think so.

Mr. GROSS. It is some more foreign aid, is it not?

Mr. COOLEY. It is foreign trade.

Mr. GROSS. It is foreign aid.

Mr. COOLEY. I will go back to this proposition. Why are the people in the domestic industry coming to my office, and every one of them are for this bill? What should I do about it? Vote against it?

Mr. GROSS. That is up to the gentleman.

Mr. COOLEY. I know, but how would the gentleman feel if everybody that came to him was for the bill?

Mr. GROSS. I think this is the first time the gentleman has ever asked how he should vote. I am sure he can make up his mind on that. Is the gentleman doing that because the administration failed to provide reports? Is that the reason we get this bill here under in effect a suspension of the rules on the adoption of the rule?

Mr. COOLEY. I do not think my committee is to blame for delaying action on this bill. We have tried to expedite the passage of the bill as much as possible. And I am not blaming the administration.

Mr. GROSS. May I ask why this does not have a report from the administration?

Mr. COOLEY. This is a committee bill.

Mr. GROSS. Do you not get the views of the administration?

Mr. COOLEY. We got the administration views on the administration bill. But this is a different bill—a committee bill.

Mr. ROGERS of Texas. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. ROGERS of Texas. In view of the statement made by the gentlewoman from Ohio I think we ought to clear up one point; that is, that the amount of sugar, the 3 million tons, that was taken away from Cuba as a Communist nation did not go to the American farmer, did it?

Mr. COOLEY. No, not all of it; certainly not.

Mr. ROGERS of Texas. The gentleman says, "not all of it." Not any of it went to the American farmer.

Mr. COOLEY. We reserved only a million and a half from Cuba.

Mr. ROGERS of Texas. That is not what I am talking about. The extension before of the Sugar Act dealt with buying sugar from other countries. What Mrs. BOLTON is interested in is the Ohio farmer. I am interested in the Texas farmer. My point is this, that every one of the foreign countries that have participated in the division of the sugar that was taken away from Cuba has fared 100 percent better than the American farmer.

Mr. COOLEY. The gentleman knows that the ratio has changed from 55–45 to 60–40.

Mr. ROGERS of Texas. Almost 60–40.

Mr. COOLEY. That may be right.

Mr. ROGERS of Texas. That increase actually represented what the American producer was getting as deficits from the offshore production, did it not?

Mr. COOLEY. That is right.

Mr. ROGERS of Texas. The gentleman is talking about the domestic and foreign production. The domestic portion of the 60 percent, or 59.4 percent, includes the production of Hawaii, Puerto Rico, and the Virgin Islands. Take that out and that is a considerable percentage of the amount of sugar we use. So the offshore producer is put in an odd situation, in my opinion. He does not get to produce nearly as much as people are led to believe he does.

Mr. COOLEY. If anybody has not been held up on Capitol Hill it is the offshore producer. They are satisfied. They tell me they are happy. Now, why should we be unhappy about it?

Mr. ROGERS of Texas. I should have to differ with the gentleman because I do not think they are all happy. As a matter of fact, they were not allowed in the meetings when the industry was going into this situation. The new producers have been blocked completely out of consideration in this bill.

Mr. COOLEY. Did the gentleman appear before our committee in the interest of his producers?

Mr. ROGERS of Texas. I have on several occasions. I have stated that I wanted to appear, but I was not allowed to appear last year, because the Secretary of State was the only man that was heard.

Mr. COOLEY. We had open hearings this session. I certainly did not deny the gentleman the right to appear.

Mr. ROGERS of Texas. We had representatives there from my area.

Mr. COOLEY. I am sure they were.

Mr. ROGERS of Texas. I am appealing for them.

Mr. COOLEY. Yes; and the gentleman is doing it very well.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Texas.

Mr. POAGE. The domestic beet producers have received a gain of 640,000 tons since we took away the Cuban quota. The domestic cane producers have received an increase of 246,000 tons, and when I say domestic, I mean the mainland cane producers in Louisiana and Florida. They have received 246,000 tons. That is a total of 786,000 tons that the mainland growers of the United States of America in the 48 States—now the 50 States—have received since we took the quota away from Cuba. That is approximately 23 or 24 percent of the total Cuban allocation in the very beginning. So to say that they have gained nothing from the reallocation of the Cuban sugar simply is not borne out by the facts. The 786,000 tons have gone to domestic producers.

Mr. ROGERS of Texas. Mr. Chairman, will the gentleman yield to me for a question?

Mr. COOLEY. I yield to the gentleman from Texas.

Mr. ROGERS of Texas. How much of that was offshore deficit that was translated into continental production?

Mr. COOLEY. What difference does it make?

Mr. ROGERS of Texas. It makes a lot of difference.

Mr. POAGE. There was not a pound of it that was offshore deficit translated into continental production.

Mr. COOLEY. That is right.

Mr. ROGERS of Texas. Of that 740,000 tons that he is talking about?

Mr. POAGE. That is right.

Mr. ROGERS of Texas. Mr. Chairman, will the gentleman yield further?

Mr. COOLEY. I yield to the gentleman from Texas.

Mr. ROGERS of Texas. Am I to understand that of this cane from the Cuban quota, the American farmer got 20 percent of the Cuban quota?

Mr. COOLEY. I cannot understand why you would be up here griping and complaining now. In 1960 and 1961 and 1962, every farmer in America could have planted every acre of his land in sugar beets or sugar cane.

Mr. ROGERS of Texas. Mr. Chairman, if the gentleman will yield further, I have the right to be heard and I do not propose to stand here and have it said that I am griping. If you want to call it griping—that is all right, but when it involves the people I represent, you are going to see me griping on this floor or any place else and you can call it whatever you want to call it.

Mr. LATTA. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Ohio.

Mr. LATTA. Mr. Chairman, first of all, I want to compliment our distinguished chairman for taking the initiative he has in bringing this bill forward because we all know that the sugar legislation expires on June 30. Notwithstanding that fact, as our chairman has indicated, he took the initiative in our committee and presented the bill. We had extensive hearings even though the administration did not take the initiative that they should have taken. I do want to clear up one point which, apparently, has caused some confusion here. The gentleman from Texas [Mr. ROGERS] has raised this point. The gentleman from Texas [Mr. POAGE] has presented some figures which I think need some clarification. The gentlewoman from Ohio has raised some question. I would like to ask our distinguished chairman if it is not a fact that the figures that the gentleman from Texas [Mr. POAGE] presented are the quota figure that are set by law.

Mr. COOLEY. I yield to the gentleman from Texas [Mr. POAGE] to answer the question.

Mr. POAGE. The figures I presented are the difference between what the domestic growers were receiving prior to the Cuban blackout and what they are presently receiving. Now they are getting a substantial portion of the sugar that previously had been otherwise allocated. The gentleman will bear in mind that there had been no farm allocations in the United States, that is the continental United States, during the last 2 years. Everybody had been allowed to grow all that they wanted to grow. Our domestic producers were growing the quantity as shown by these figures, and this bill assures them of continuing the production that they had acquired under the unlimited provision.

So they are now getting 786,000 tons more than they were getting, and, obviously, the biggest part of that comes from the Cuban quota, because the gentleman will bear in mind we have in this bill fixed the Cuban quota at 1,500,000 tons and we have allocated another million tons to other countries. That leaves more than 700,000 tons of the sugar from Cuba that has gone to domestic producers. It cannot be figured in any other way.

Mr. LATTA. Mr. Chairman, will the gentleman yield further?

Mr. COOLEY. I yield.

Mr. LATTA. I think the gentleman from Texas has answered the question in the affirmative, that the figures he has quoted are the quota figures set by law.

Mr. COOLEY. That is correct.

Mr. LATTA. It seems very important to bring this matter into perspective after the suspension of quotas. During the last year we have been seeing about 2,800,000 tons of sugar being produced in the United States.

I would like to call the attention of our distinguished chairman to page 8 of the majority report which reads:

> The probability of future acreage reductions for old growers is compounded by the level of the basic beet quota—2,650,000 tons as compared with a 1962 crop now estimated to yield 2,800,000 tons of sugar. The low level of the industry's current carryover, due to last year's below average yields, will probably avoid the need for acreage cuts for old beet growers for 1963. Under these circumstances, as Secretary Freeman has said, acreage restrictions next year appear unlikely.

Is it not a fact, according to your own statement in the majority report, that after 1963 we can reasonably expect a cut in the current beet production, domestic?

Mr. COOLEY. I would not be in a position to say whether there is reason to expect a reduction.

Mr. LATTA. I am not speaking about production, I am speaking about the figures that are outlined in the bill; I am talking about the current beet production in the United States. The Department has fixed the quota at 2,800,000 tons, whereas the figures that you are establishing under this bill apparently give the United States only 2,650,000 tons. So we actually have a reduction in total production of domestic beet sugar of 150,000 tons due to the fact that we have this carryover. We need not expect this reduction for the year 1963, but after that we can expect at least 150,000 tons reduction in domestic beet production as compared to the 2,800,000 that are presently being produced. Is not that a fact?

Mr. COOLEY. That may be a fact, I do not know, but I was definitely under the impression that the allocation is 150,000 tons more than the planted acreage.

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. TEAGUE of California. One point I think should be brought out so the Members of the House who have not wrestled with this very difficult and complex problem as the committee has, may have some comprehension, is it not a fact that we authorized through domestic producers cane and beet, all of the production that we can possibly process?

Mr. COOLEY. That is my understanding.

Mr. TEAGUE of California. I think that is a very important point.

Mr. CEDERBERG. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. CEDERBERG. I want to pay tribute to the chairman of this committee for bringing this legislation before us at this time. I have read with interest the statement of Frank Kemp before your distinguished committee, where he represented the growers and producers, practically the entire industry, and I was very much impressed by the manner in which this representative presented their case. I think that is a tribute to the industry.

The gentleman has brought this bill before us. Although we never get everything we want, I think we should support the bill. So I hope that we can get ahead with this, because the industry needs the bill very badly. We have had these shortages for so long it has been difficult for them to plan. I would urge that we accept this bill and recognize that we never can get everything we want.

Mr. COOLEY. Our committee holds the gentleman to which the gentleman referred in very high regard. He made a magnificent presentation on behalf of the industry.

Mr. AVERY. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Kansas.

Mr. AVERY. The chairman of the Committee on Agriculture will recall

when I spoke during consideration of the rule I said I hoped he would explain to the Committee of the Whole why the increases in domestic consumption could not be reserved for our domestic producers. I am talking about our continental producers. I will not debate the allocation of what was Cuba's allotment because we would get into all kinds of ramifications. It is very simple that the anticipated increase in domestic demand could be reserved for domestic producers.

Mr. COOLEY. I need only remind the gentleman that when the first sugar bill was signed by President Roosevelt, he said that this production in the domestic area should not be increased.

Mr. AVERY. That does not mean anything to me.

Mr. COOLEY. It does to me. It is uneconomical to produce it domestically. It has to be on an artificial basis. You talk about artificial price supports, this bill here is important in all areas of this country and in the Virgin Islands, Puerto Rico, and Hawaii. To let it all be grown here and keep this offshore sugar out, we would have to make compensatory payments to domestic farmers to keep them in business.

Mr. AVERY. I was not directing my remarks to any such concept that all offshore sugar should be kept out. All I am talking about is the anticipated increase in our annual consumption, possibly 1 percent. Why cannot that be reserved to domestic producers?

Mr. COOLEY. It has been pointed out by the gentleman from California [Mr. TEAGUE], they are producing up to mill capacity. We made provision in here for an increase of 50,000 tons a year, which is enough to assure the building of a new mill each year. Everybody is happy about that. I do not see why we should not be pleased about it.

Mr. ROGERS of Florida. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Florida.

Mr. ROGERS of Florida. I want to commend the committee for this legislation.

Mr. Chairman, the 1962 Sugar Act amendments we are now considering are of great importance to Florida and the Nation. Sugar is a vital commodity, and occupies a prominent position in our national economy. I heartily commend the efforts of the distinguished Agriculture Committee of this House, and feel that its fine judgment reflected here in this sugar bill will long be remembered. The wisdom of this committee, evidenced in the orderly, thorough manner which the sugar legislation before us now was written, and due in no small part to the capable leadership of the gentleman from North Carolina, Chairman HAROLD COOLEY, is bound to stand as a precedent for future sugar legislation. I believe every Member of this Congress should extend congratulations for the excellent bill presented for consideration here.

Mr. Chairman, almost all of the sugar produced in Florida is extracted from sugarcane grown in my district. The fertile mucklands of the Everglades rank among the world's best for growing sugarcane, and these lands will be given new opportunity with passage of the legislation before us now. Florida is ably represented on the Agriculture Committee by our distinguished colleague from the Eighth District of Florida, Congressman BILLY MATTHEWS. The producers and consumers of Florida owe Congressman MATTHEWS a vote of thanks for his diligence and interest in representing them on the committee. His efforts in forging this legislation are certainly related to our State receiving an equitable portion of the U.S. sugar market.

I further believe some note should be taken of the unanimity shown by the domestic sugar industry. Months of preparation were involved in the united position taken by the industry on the question of apportioning the sugar market of America. I also feel that the sugar interests of Florida should receive commendation for contributing their fair share to this united position. As a result, the bill before us now includes provisions for the security of all the domestic producers.

In testimony presented to the Agriculture Committee during the time it was hearing sugar legislation, I urged that there be two alterations to the present Sugar Act. Namely, these alterations were, first, that there be an increase in the marketing quota for mainland cane producers; second, that the portion of the foreign quota allocated to Cuba prior to the takeover of that nation by Communist Castro be reduced.

I also introduced legislation to accomplish these purposes, and am pleased to see that the committee adopted these provisions in the legislation which it has presented to the House.

This legislation allows an increase in domestic marketing quotas which equal nearly 60 percent of the total U.S. sugar market. Greater opportunity is provided by the assignment of 63 percent of the future growth in sugar consumption to the domestic industry.

The mainland cane area, which includes Florida and Louisiana, has been allotted an incerase of some 35 percent to 895,000 tons for the first year of this new plan, 1962. The entire mainland cane area looks to the future with high hopes of greater production and market stability.

Speaking for Florida, this increase in the mainland cane quota will mean greater job opportunities and markets for many segments of our economy. More than 200,000 tons of sugar were produced in my district by existing mills utilizing the 1960–61 crop. With expansion scheduled, Florida growers and processors are building the capabilities of our State to guarantee that this Nation will always have a reliable source for one of its most vital commodities.

We have learned from the bitter experience of Cuba what it means to depend heavily on a foreign source for this precious product. Not only did the United States allow Cuban sugar to be imported at the loss of marketing opportunities for American farmers, but suffered the ingraditude of expropriation and harassment prior to taking action to end this absurd condition. The bill we have now is a good example of taking care of our own, and I am hopeful we can do more of this kind of legislating in the future.

Mr. Chairman, we must have new sugar legislation as soon as possible. The present Sugar Act is due to expire on June 30 of this year. Farmers and producers all over America must have this new assurance that the U.S. market will be stable, and that they will have their rightful share of that market, in order to plan their plantings and harvesting. The American consumer must have this legislation to attain protection in the marketplace. It is for these reasons that I urge the Congress to give prompt passage to the legislation presented by the House Agriculture Committee.

Mr. WILLIS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Louisiana.

Mr. WILLIS. I certainly want to associate myself with the remarks of the gentleman from Florida [Mr. ROGERS], who preceded me. I represent perhaps the largest sugar district in the United States, and I happen to know that the beet growers and the cane growers in my district, the sugar mills, the raw sugar mill owners, the workers in those mills, the refiners and the workers in the refined sugar industry—in other words, the farmers and workers, everyone as far as I know is essentially satisfied.

I do want to compliment and commend the gentleman, and all of the members of the committee on both sides of the aisle for bringing out this bill.

Mr. Chairman, I think it is a good bill. I understand that the rule makes in order the consideration of an amendment which, in turn, was considered by the full committee and defeated. I hope to stick by this bill as drawn, as it is now before us. And, I know that by and large every segment of the American people connected with or having an interest in the sugar industry is for this bill as presented before the House right now.

Mr. COOLEY. I thank the gentleman.

Mr. COLLIER. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Illinois.

Mr. COLLIER. There are two questions I would like to ask. First, in order to get this 23-percent figure that the gentleman from Texas [Mr. POAGE] mentioned, into proper perspective, can the gentleman tell me what the increase in domestic consumption of sugar has been since we terminated our Sugar Agreement Act with Cuba?

Mr. COOLEY. How much increase in domestic consumption?

Mr. COLLIER. In consumption, yes.

Mr. COOLEY. I do not know. It varies from year to year. It has increased, but I do not know the exact figure.

Mr. COLLIER. Then, it is actually 23 percent based upon the quota that existed a year and a half ago?

Mr. COOLEY. The gentleman from Texas [Mr. POAGE], used the figures and related the figures to the Cuban quota before we terminated diplomatic relations with Cuba. He said the domestic producers had 23 percent of that.

Mr. COLLIER. The concept, however, might be somewhat different based upon the increased consumption since that time, might it not?

Mr. COOLEY. Well, our domestic producers participated in the growth right along. They had participation, based upon a growth formula, year after year.

Mr. COLLIER. Still based upon a quota figure, with no bearing at all on the consumption figure.

Mr. COOLEY. Oh, yes. It was increase in consumption. That is growth.

Mr. POAGE. Mr. Chairman, will the gentleman yield at that point?

Mr. COOLEY. I yield.

Mr. POAGE. In 1959 we actually marketed 9,240,000 tons of sugar in the United States; in 1960, 9,522,000; in 1961 we marketed 9,701,000. That was an increase of approximately 200,000 tons a year of actual marketing in the United States.

Mr. COLLIER. At this point might I ask the distinguished chairman of the Committee on Agriculture if as of now there has been any expression of sentiment for or against the legislation before us from the administration?

Mr. COOLEY. No; not since the bill was reported.

Mr. COLLIER. We have no idea now what the views or the stand or the support or opposition to this legislation might be from the administration?

Mr. COOLEY. I do not.

Mr. COLLIER. I thank the gentleman.

Mr. ROGERS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Colorado.

Mr. ROGERS of Colorado. I want to join in the statement made by the gentleman from Florida [Mr. ROGERS] and the gentleman from Louisiana [Mr. WILLIS] in support of this legislation and to commend the committee for the studious action that was taken on a tremendous problem that has confronted it since the Cuban fiasco, so to speak, and to point out that there is an increased production given to the domestic producers and that the committee itself has attempted to straighten out any allocations or any disputes that may arise as evidenced by the statement on page 7 of the report where the Secretary of Agriculture has stated his position. And, I am sure that when this legislation is approved it will meet the unanimous approval of all those engaged in the production of sugar in the United States.

Mr. MAHON. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Texas.

Mr. MAHON. It has been said, I believe, that all segments of the sugar industry are well pleased with this legislation. The gentleman from North Carolina [Mr. COOLEY,] himself makes this statement. I believe the statement is due some amendment. Not every one is pleased. It is true that people in new areas, such as my own, where they have been producing a few sugarbeets during the years, had rather have this bill than nothing but they have not been adequately taken care of.

They feel, as I feel, that the committee could and should have gone further and permitted the domestic producer a greater share of the American market. We had hoped for a portion of the quota previously granted to Cuba. So, the fear of an inadequate allotment now concerns the people in my area. They are concerned lest the bill which is before us today will not give them a mill in the near future. We need 50,000 tons for a new mill in west Texas at this time. Shortly, we will need additional mills in west Texas. The bill is inadequate in the light of our needs.

Mr. COOLEY. Are you growing beets there now?

Mr. MAHON. If the gentleman will yield further, we are growing a few beets in this area, but we have no mill. Without an assured allotment and a mill we can make no progress in beet production. Under the present bill there is no absolute guarantee that we will get a mill in the west Texas area. I appeared before the gentleman's committee with my constituents in connection with this legislation, urging greater U.S. production of beets to supply a larger portion of the domestic market.

Mr. COOLEY. Did we not provide your area 50,000 tons a year?

Mr. MAHON. You have given in the bill, on a nationwide basis, 50,000 tons; I am trying to say that there is a great demand, and a need for a larger production on a nationwide basis and in my area.

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

(Mr. COOLEY asked and was given permission to revise and extend his remarks.)

Mr. HOEVEN. Mr. Chairman, I yield myself 5 minutes.

(Mr. HOEVEN asked and was given permission to revise and extend his remarks.)

Mr. HOEVEN. Mr. Chairman, after weeks of prolonged hearings, a sugar bill has finally been reported out of the Committee on Agriculture. It probably is not going to please everyone. In fact, it may displease everybody in one respect or another. But it is the result of legislative give and take.

Mr. Chairman, we are now faced with a real time deadline, as the present Sugar Act expires on June 30, 1962. However, in all fairness I should say that I do not think anyone should be disillusioned as to what is going to happen. If the House passes the bill today, it goes over to the other body. I assume there will be long and deliberate consideration of the bill over on the other side. Then, the bill goes to conference. I foresee—and I warn the Committee right now—that it can look for an extension of the present Sugar Act for a period of, perhaps, 60 or 90 days, until the legislation now before us can be finally resolved.

Mr. Chairman, I have done my best to facilitate the consideration of this bill. In fact, I think my good chairman, the distinguished gentleman from North Carolina [Mr. COOLEY] will admit that on many occasions I suggested to him that the committee give priority to the sugar bill over the omnibus farm bill, which will be considered tomorrow. The omnibus farm bill does not apply to 1962 crops. Therefore, we could well have devoted full time to the sugar bill. We spent all too much time on the omnibus farm bill while the chairman was trying to get that one lonely vote he finally wiggled out of one member so he could report out the bill.

Mr. Chairman, the bill would extend the act for 5 years. It would increase domestic sugar quotas over what they are under present law. It would retain the traditional quota system for obtaining foreign sugar supplies. It would establish a Cuban drawback of 1.5 million tons which would for 1 year be temporarily distributed to foreign nations. It changes deficit allocations. It gives the Secretary of Agriculture some legislative tools to prevent discrimination by foreign governments against American sugar firms. It authorizes the President to pay the Dominican Republic Government and a U.S. sugar company some $22.8 million as a refund for the same amount withheld in 1960 and 1961 from the quota premium on some sugar imported from the Dominican Republic. It cuts down on the importation of white sugar. It provides a small liquid sugar quota. It earmarks some 50,000 tons per year for new sugar producers in the United States, and finally it contains my amendment to prevent the confiscation of American property by foreign countries or any political subdivisions of foreign countries which seek to obtain the valuable right to sell sugar in the U.S. market.

Personally I feel that it is high time that we serve notice on any nation which seeks a sugar quota that as a nation we will not tolerate the confiscation of the property of American citizens. Hence, in committee, I proposed the amendment which you will find beginning on page 22, line 22 to the end of line 2 on page 24 of the bill. My amendment does not of course preclude the legitimate exercise of the right of eminent domain by any foreign nation. It just requires adequate compensation, that is all.

Now I recognize that there are provisions in this bill which are objectionable. This bill must still go through the Senate and the conference committee where I hope improvements can be made. Because of the fact that the administration delayed and delayed its submission of sugar legislation this session, we are now faced with the immediate need of an extension of this program.

Let us not forget the main objective of this sugar legislation is to provide an adequate supply of sugar at all times to our growing population at reasonable prices to the consumer. Furthermore, the bill gives American producers a bigger share of the U.S. market. Domestic producers who now supply about 54 percent of the basic U.S. sugar needs would

get a new basic quota of nearly 60 percent. The Cuban quota of 1.5 million tons is put on a standby basis until communism is eradicated from the island. Until Cuba is free from Communist rule, the Cuban quota would be reallocated to other foreign suppliers under the provisions of the bill.

I was not much enthused to vote for a closed rule on this bill. However, this in a sense is a tax bill and a bill which sets specific sugar quotas for a number of countries and our own domestic producers. The committee spent at least 2 weeks setting the quotas after many arguments and many changes. A majority of the committee finally agreed upon the quota formula set out in the bill. It stands to reason that if an open rule had been granted on the bill it would only result in the greatest confusion if attempts were made to lower or raise quotas or to include countries not now included.

This is not the administration sugar bill. It is a far departure from what the administration wanted. The administration proposed global quotas which would have permitted the State Department to allocate quotas to countries at its sole discretion. This for all practical purposes might result in making the sugar bill an instrument for a worldwide welfare program. The committee, therefore, wrote its own version of the legislation and in so doing retained jurisdiction of quota allotments. May I say advisedly that, in my judgment, the Committee on Agriculture with its intimate knowledge of the subject matter of the legislation was in a much better position to allocate quotas than the State Department which would primarily be interested in foreign policy instead of looking after the interests of our domestic growers and seeing to it that the American people always had an ample supply of sugar at reasonable prices to consumers.

I voted against section 18 of the bill in committee as did many members of the committee. In my judgment there is no legal responsibility on the U.S. Government to give a windfall of $22.8 million to the Dominican Republic. Cases involving this controversial item are now pending in the U.S. Court of Claims and I do not think the Congress should interfere with the due process of law in this regard. I, therefore urge that section 18 be stricken from the bill when the motion to strike is offered. In considering this bill under a closed rule one may have to take the bitter with the sweet in the hope that some adjustment of the controversial items may be arrived at in conference between the House and Senate. In spite of many misgivings about the legislation now under consideration, it is about the best the Committee on Agriculture can offer under prevailing circumstances. I therefore expect to vote for the bill.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. HOEVEN. I yield to my colleague from Iowa.

Mr. GROSS. What is the world price for sugar, does the gentleman know?

Mr. HOEVEN. About 3 cents per pound. In 1961 it averaged 2.91 cents per pound.

Mr. GROSS. It is about $2.60 a hundred, is it not?

Mr. HOEVEN. It is about 3 cents a pound in New York, as I recall.

Mr. GROSS. What is the price of sugar in this country?

Mr. HOEVEN. About 6 cents per pound. In 1961 it averaged 5.36 cents per pound.

Mr. GROSS. It is substantially better; about $6.50, is it not?

Mr. HOEVEN. Whatever it figures out; that is about it.

Mr. GROSS. I have heard a good deal this afternoon about a reasonable price for sugar. I am not surprised that the administration has been reluctant to speak on this subject because I do not see how it can reconcile an endorsement of this bill with the position that it has taken on free trade through the extension of the Trade Agreements Act.

Mr. HOEVEN. May I again emphasize that this is not an administration bill. This is a bill written by the House Committee on Agriculture. The committee repudiated the administration position on global quotas. I felt, as did others in the committee, that the rights and prerogatives of fixing quotas should be reserved to the Congress. In this bill we account for every pound of sugar. I am opposed to having the Department of State to juggle these quotas around and distribute them at their discretion for political purposes in the operation of foreign affairs.

Mr. GROSS. Mr. Chairman, if the gentleman will yield further, this would be quite a situation, with sugar on the world market at $2 and some cents and domestically at $6 and some cents, if the New Frontier ever gets its free trade bill through Congress.

Mr. HOEVEN. I think the committee should be given credit for refusing global quotas instead of surrendering all authority to the Department of State.

The CHAIRMAN. The time of the gentleman from Iowa has expired.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Maine [Mr. McINTIRE].

Mr. McINTIRE. Mr. Chairman, the few remarks I wish to make on this bill are directed to two or three points. The first is that I think the committee and the House are indebted to the very hard work of the sugar industry, the producer and processor elements, that after many, many conferences got together on a basic accord on provisions of a bill dealing with the domestic side of the sugar industry. This was a very important step toward the processing of legislation, and whether we agree or not on some of the detail of that agreement which was made outside the Congress and by the industry, nevertheless the fact is that this agreement served as a basis for beginning our legislative work and was an important contribution to the development of this legislation.

I also want to comment on the fact that the bill does for the first time provide for new areas in the United States to come into sugar production. My recollection in working on the act of 1956 is that in that act we did not make provision specifically for new areas of production here in the United States. This bill very definitely provides for that, and I think it is a step forward in the development of the sugar industry here in the United States.

I join with other members of the committee in opposition to the proposition of global quotas because, in my opinion, the pattern we have here of importation of sugar is much better than what would prevail if we were to have approved global quotas.

I want also to express to the committee that I shall support the amendment which will be offered by the gentleman from Kansas [Mr. DOLE]. This is not a new position I am taking in connection with the Dominican matter of $22 million, because when this amendment was offered in committee the first time I voted against it and I also voted against it the second time it was offered. I think this amendment, which is in the last of the bill, is entirely extraneous to the legislation we are now considering, and it is not appropriate because it is before the courts.

By and large I recognize there are details in some areas of this bill which some individuals might wish to modify. However, it is complicated legislation and I feel very sincerely that the bill which the committee has presented, with the exception of the Dominican provision, is a sound bill and one that I can support. I do feel that the bill, after very long consideration on the part of the committee, is deserving of the careful consideration of each and every member of the committee. As far as I am concerned, I shall support the bill on final passage.

Mr. AVERY. Mr. Chairman, will the gentleman yield?

Mr. McINTIRE. I yield to the gentleman from Kansas.

Mr. AVERY. Will the gentleman from Maine agree with the gentleman from North Carolina, who made the statement a while ago in response to my question that sugar could not possibly be profitably produced domestically? I do not know quite what he meant by that statement. Are not domestic producers seeking an additional proportion of the national sugar needs?

Mr. McINTIRE. May I respond to the gentleman from Kansas to say, Yes, they are. I would point out however, to the gentleman from Kansas, that during the past 2 years, as far as domestic production is concerned, it has not been under quotas and has been limited only by the refining facilities in this country. So it is necessary to expand these facilities if acreage is to be increased.

One further point in connection with the gentleman's question: I do not think there is any question at all but what we have the productive capability in this country to produce a substantially larger volume of sugar. However, when one considers the balance of prices then there would be a serious question in my mind as to whether or not this could be

done without some increase in prices to consumers in some areas. So there is a question as to how profitable it might be to some particular domestic producers to expand to the proportion the gentleman has in mind.

Mr. KYL. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Sixty-seven Members are present, not a quorum.

The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 115]

Adair	Elliott	Miller, Clem
Alford	Farbstein	Miller, N.Y.
Andersen, Minn.	Fascell	Monagan
	Finnegan	Moorhead, Pa.
Anfuso	Fino	Morrison
Ashley	Flood	Moulder
Ashmore	Flynt	Multer
Aspinall	Fogarty	Nedzi
Auchincloss	Frazier	Nix
Ayres	Frelinghuysen	Nygaard
Barrett	Garland	Osmers
Barry	Gilbert	Passman
Bass, N.H.	Glenn	Peterson
Bell	Gonzalez	Powell
Bennett, Mich.	Granahan	Rains
Blitch	Green, Pa.	Randall
Bolling	Hagan, Ga.	Reifel
Bonner	Halleck	Riley
Bow	Halpern	Rivers, S.C.
Boykin	Harrison, Va.	Roberts, Ala.
Brademas	Harsha	Robison
Bray	Harvey, Ind.	Rooney
Brewster	Healey	Roosevelt
Bromwell	Hoffman, Ill.	Rosenthal
Broyhill	Hoffman, Mich.	Roudebush
Bruce	Holifield	St. George
Buckley	Holland	Santangelo
Cahill	Horan	Saund
Cannon	Ichord, Mo.	Schenck
Casey	Jones, Ala.	Scranton
Celler	Kearns	Selden
Chiperfield	Kee	Sibal
Clancy	Keith	Smith, Miss.
Conte	Keogh	Spence
Cook	Kilburn	Stubblefield
Corbett	King, Utah	Thompson, La.
Curtis, Mass.	Kitchin	Thompson, N.J.
Curtis, Mo.	Kluczynski	Tollefson
Daddario	Kornegay	Tupper
Davis, James C.	Kowalski	Ullman
Dawson	Laird	Vanik
Dent	Landrum	Vinson
Diggs	Loser	Wallhauser
Donohue	McDowell	Whalley
Dooley	McSween	Whitener
Dowdy	Macdonald	Wilson, Ind.
Downing	Martin, Nebr.	Yates
Dulski	Mathias	Zelenko
Dwyer	Merrow	

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. DAVIS of Tennessee, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 12154, and finding itself without a quorum, he had directed the roll to be called, when 286 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. McINTIRE. Mr. Chairman, I yield 15 minutes to the gentleman from North Dakota [Mr. SHORT].

(Mr. SHORT asked and was given permission to revise and extend his remarks.)

Mr. SHORT. Mr. Chairman, while I do not intend to oppose the passage of this bill, H.R. 12154, I must say that there are a good many aspects of this bill with which I am not in complete agreement, and about which I am not very happy.

Mr. Chairman, I think there are many other Members of the House who represent areas where sugarbeets particularly are grown who are not too happy about some of the provisions contained in this bill. Perhaps uppermost among all of those reasons is the rather, shall I say, conservative treatment that has been extended to the domestic producers in this piece of legislation.

Mr. Chairman, I desire to commend my good friend, the distinguished gentleman from Texas, Mr. ROGERS, for pointing up as he spoke during the consideration of the rule, the reality of the situation. I am real pleased to commend the gentleman from Texas for doing this, and I think the Members of the House should recognize the reality of just exactly what, we are not doing for the domestic industry, which is a big one in the United States, but perhaps what we are doing to this industry.

I happen to represent a part of an area in the United States that produces roughly 8 or 9 or 10 percent of the total amount of sugarbeets produced in the United States. My colleague, the gentleman from Minnesota [Mr. LANGEN], represents the Minnesota side of the Red River Valley of the north which is probably one of the better sugarbeet producing areas of the United States. In this area there are some 1,500 farmers who raise sugarbeets. These are small farmers. This is a family type of farming operation, if there is one in America. We have 3 processing plants in this area and while I am talking about the number of farmers who are affected by this bill that produce sugarbeets in the United States, there are some 39,000 farmers in the United States that produce sugarbeets.

Twice since I have been in Congress we have extended temporarily the Sugar Act. The reason has been that the situation in Cuba was such an indefinite one that it was a little bit difficult to know what we should do in the way of permanently revising and extending this sugar legislation. Of course, always into this consideration there came the question of what we should do in the way possibly of revising domestic sugar quotas.

We were also told that and it was a vital requirement—and with this I can certainly agree—that the domestic industry be in agreement on what they wanted in the way of permanent sugar legislation. In other words, how large the domestic quota should be; more specifically, perhaps, how much the domestic quota should be increased. The domestic industry worked long and very hard on this. This was a very difficult agreement to come to. They worked long and hard over the past several months and finally did come to an agreement.

As Mr. Kemp said when appearing before our committee, they sat down around this bargaining table and while everyone did not get what he wanted, this was about the best they could come up with. And with this I have to agree.

I must say that I think, however, the boys holding the cards for the domestic industry perhaps did not hold not only all the aces that they should have held or could have held, but I am not so sure that the other side of the industry, those representing the foreign interests in the overall sugar picture did not hold a few wild cards. I am not particularly happy or enthusiastic about the agreement that was reached so far as our domestic industry was concerned and particularly so far as our domestic beet industry was concerned.

I must say right here that since this agreement was entered into, there have been some provisions incorporated into the bill we are now considering that were not a part of the original agreement. I do not know whether they provide proper grounds for opposing the bill now before us. But certainly it makes it just that much harder for me to support the piece of legislation we are now considering.

Mr. Chairman, may I point out some of my objections to the bill that we now have before us and may I also attempt to clarify some of the figures that have been tossed around here this afternoon since we have been considering this bill. I will try and leave with you the real picture of what is happening to the domestic industry in this bill and particularly what is happening in the domestic beet industry. As I have already stated I am not very happy about the domestic beet quota that is incorporated in this bill.

May I read from the separate views that were placed in the committee report by the distinguished gentlewoman from Washington [Mrs. MAY] and myself in regard to this thing I am trying to clarify for you now:

> The adjusted basic quota for domestic beet sugar in 1962 would be increased from 2,400,000 tons to 2,650,000 tons—an increase of about 10 percent.

That is 250,000 tons increase in our domestic beet quota, and this is a very little bit more than the total allocation we have actually made to one particular foreign country that never had a quota before, namely, the country of Brazil, to which we have given 190,000 tons permanent quota and 150,000 tons temporary allocation. Yet we increase our domestic quota only in the amount of 250,000 tons.

This increase for the domestic beet industry amounts to only 10 percent—a 10-percent increase in the domestic beet quota.

> The adjusted basic quota for mainland cane sugar for 1962 would be increased from 750,000 tons to 895,000 tons—an increase of about 20 percent.

I have no quarrel with increasing the quota of any segment of the domestic industry's quota, but I cannot quite rationalize why the domestic cane industry was increased twice as much as the domestic beet industry. I continue to read:

> While the formula for domestic beet participation in our domestic increase in sugar consumption has been raised a few percentage points, it is apparent that if technological increases in our productive ability continue at the present rate, total increased acreage of sugarbeets during the life of this

bill will be very modest. We point this out because we feel many beet growers are anticipating a greater growth in sugarbeet acreage than is actually being provided for.

I think a lot of beet growers in the United States are under the very definite illusion that they are going to get an increase in their sugarbeet acreage. I think they are going to be more than disappointed when they find out that actually as the years go by they could very definitely be producing less than they are now. The technological progress in the production of beet and cane sugar in the United States is going to wipe out to some degree, in fact to a large degree, the increase in domestic quota that is provided for in this bill.

It has been stated here today that the domestic beet and cane industry, the domestic industry, period, if you please, has received some benefit from the 3,100,000-ton quota that was taken away from Cuba. I want to say here and now, and I hope everyone understands it, that not one single pound of the sugar that was taken away from Cuba was given to the domestic industry in the United States. Every pound of increase in the domestic quota came from the increase in domestic consumption plus the participation in the deficits of Hawaii, Puerto Rico, and the Virgin Islands. I see some people who do not agree with that.

Mr. ROGERS of Texas. Mr. Chairman, will the gentleman yield?

Mr. SHORT. I yield.

Mr. ROGERS of Texas. Is it not a fact that under the law the President of the United States did not have the power to give it to the domestic producers? Under the law it has to be brought in from foreign countries, the law we are operating under right now.

Mr. SHORT. This is very true. All the conversation that we have heard here today that would leave the impression the domestic industry has benefited from the quota taken away from Cuba simply, in my opinion, is not true.

I just think we ought to understand this because there seems to me to be an inference in all of this consideration of this sugar legislation that the domestic industry has received some kind of windfall. This is not borne out by the facts. Last year, for instance, the domestic beet industry actually produced 2,425,000 tons of beet sugar. What is the quota provided for in this bill? It is 2,650,000 tons. Now if that is any great generous increase, I cannot understand it.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. SHORT. I am glad to yield to my chairman.

Mr. COOLEY. Where does all this sugar crop come from, if it did not come from the Cuban quota?

Mr. SHORT. As I just tried to say, Mr. Chairman, all of the increases and I have never been able to find any arguments to refute this, all of the increase in the domestic quota came about by virtue of the formula for the domestic participation in our domestic increase in the use of sugar and the deficit from Hawaii and Puerto Rico. I wish you would quote to me one place in the law or one provision in law, or one action that was ever taken by the Secretary of Agriculture to give our domestic industry one single additional pound of sugar.

Mr. COOLEY. Certainly, the gentleman from North Dakota does not want to leave the House with the wrong impression?

Mr. SHORT. Certainly, I do not.

Mr. COOLEY. You know where it came from. You did not have any restrictions on it, and you could have planted all you wanted to plant, and you planted all you wanted to plant; did you not?

Mr. SHORT. Yes.

Mr. COOLEY. Well, that is where it came from.

Mr. SHORT. We could plant all that we could plant because it took all we could raise to fill the deficit we were entitled to under the law.

Mr. COOLEY. You are leaving the impression here that you could not plant any sugar. Of course, you could not fill the quotas for Cuba or any other foreign country, but you planted all you wanted to plant.

Mr. SHORT. Can the gentleman from North Carolina tell me any provision in law or any recommendation that was ever made by the Secretary of Agriculture to allow the domestic industry to furnish one single pound of sugar that was formerly secured from Cuba?

Mr. COOLEY. That is just what I am trying to tell you. Of course, there was not any because you did not have any restriction. Certainly, you picked up the deficit from Hawaii, Puerto Rico, and the Virgin Islands.

Mr. SHORT. The same thing would have happened had the Cuban quota never been announced.

Mr. COOLEY. So what? You have it now.

Let me ask the gentleman this question. Do you want to disrupt this bill by any such argument as you are submitting here now and defeat it?

Mr. SHORT. I stated my position when I started to speak.

Mr. COOLEY. Why do you not get down to the facts? If you are for the bill, let us leave it that you are for the bill and let us move on.

Mr. SHORT. Mr. Chairman, and Mr. Chairman of the Committee on Agriculture, I think the Members of this House are entitled to know the facts about this sugar bill. I am not trying to defeat it. I said when I got up here, I was going to vote for the bill and I will vote for the bill unless we inject too many amendments that I do not agree with.

Mr. COOLEY. I will vote for the bill too, if you do not change my mind pretty quick.

Mr. SHORT. If what I am saying is apt to change the gentleman's mind about the sugar bill, I am very grateful.

I tried all during the sugar hearings to impress this on the gentleman from North Carolina and I do not think he ever quite understood what I was talking about.

Mrs. MAY. Mr. Chairman, will the gentleman yield?

Mr. SHORT. I yield to the gentlewoman from Washington.

Mrs. MAY. Mr. Chairman, I would like to say to my fellow Members that I wish to associate myself with the remarks of my colleague, the gentleman from North Dakota. In answer to the question just proposed to him by the distinguished chairman of our committee, whom we both join in praising for having gotten this bill to the floor under very difficult circumstances, I just would like to say for the record that the distinguished gentleman from North Dakota and I have been working for several years on the House Committee on Agriculture representing beet areas. My area, as does the area of the gentleman from North Dakota [Mr. SHORT] has established old grower areas and I also have an extensive new grower area. We have been working together to try to get a meaningful extension of this sugar act for some time. The act we have before us with its changes in legislation, does not represent a complete victory or even a partial victory for American beet producing areas, including the gentleman's area and my own. Because we wish to be honest and fair with the people we represent, in the State of Washington on my part, and in the State of North Dakota on the part of the gentleman from North Dakota [Mr. SHORT] we have in our additional views in this report, to which I would like to call your attention on page 73, attempts to keep the record straight as to just what this legislation accomplishes.

Is it not true, I ask the gentleman from North Dakota [Mr. SHORT], that we have not opposed the bill because we have worked many months to get what is practically and politically possible into this act? But today we wish to keep the record straight because so many, let us say, nonfactual statements have been presented that might give an erroneous impression to our beetgrowers as to what this legislation means to them.

Mr. SHORT. I thank the gentlewoman from Washington. This is exactly what I was attempting to do. I have no intention, as I said to the chairman of the committee, of voting against the bill unless there are too many amendments that are adopted which would make it impossible for me to support it. We have brought out what the bill does for the sugarbeet producers. This was the best bill we could get and I intend to support it, but I think I have a responsibility to the growers in my area to tell them if I possibly can what we are doing for them but what is going to happen to them when this bill passes.

Mrs. MAY. Will not the gentleman agree that our representatives of the beet-growing industry deserve a great deal of credit for having worked and negotiated with other representatives of the sugar industry on trying to improve this legislation? Once the agreement was reached the beet industry kept faith, but changes have been made in the bill which reflect a breach of faith in other sections of the sugar industry. Is not this true?

Mr. SHORT. As I say, there have been changes made in the bill from time

to time that were not part of the industry agreement, and that makes it difficult for those of us who had some reservations about accepting it, but I am going to support the bill unless they succeed in placing too many amendments in the bill.

Mrs. MAY. I would like to comment once more that there is an amendment pending this afternoon that was voted on in the committee and soundly defeated. But it has now been given the right-of-way to be presented as an amendment this afternoon in spite of the closed rule. I would like the gentleman to state his viewpoint on the pending amendment from the industrial consumers, which in effect does not allow flexibility for the Secretary of Agriculture to set consumption quotas as he presently can.

Mr. SHORT. The matter to which the gentlewoman refers was not part of the industry agreement and sometimes I question whether I would be able to vote for the bill if the amendment is adopted. It is one of the things that was not in the agreement and should not have been incorporated in the bill. It certainly lays aside a lot of considerations that led the domestic industry to accept what they thought would be the provisions of the bill.

Mr. COOLEY. Mr. Chairman, I yield such time as he may desire to the gentleman from Hawaii [Mr. INOUYE].

(Mr. INOUYE asked and was given permission to revise and extend his remarks.)

Mr. INOUYE. Mr. Chairman, having worked with the members of the House Agriculture Committee and thereby being familiar with the provisions contained in H.R. 12154, the sugar bill, may I state that I, personally, am of the opinion that it is a good bill and that I, for one, favor its enactment.

I feel, however, that this bill could have been and should have been improved in one aspect, and am compelled, at this time to express my disappointment that a proposed amendment to the Sugar Act as embodied in my bill, H.R. 11706, was not incorporated in H.R. 12154, which is being considered this afternoon.

H.R. 11706, if approved, would have amended title 3 of the Sugar Act of 1948, to provide for the establishment of fair and reasonable wage rates for workers employed on sugar farms. Specifically, my proposed amendment would first, bring the existing minimum wage provision of the Sugar Act into line with the applicable provisions of the Fair Labor Standards Act, while at the same time giving the Department of Agriculture authority to make limited exceptions where hardship can be shown; and second, provide that sugar growers who pay their fieldworkers Fair Labor Standards Act minimum wage shall be entitled to receive compliance payment based upon the full base rate of 80 cents per hundred pounds of raw sugar as specified in the Sugar Act.

I would like to point out that the quota system as set up by the Sugar Act gives to the sugar industry a very much preferred position in our Nation's economic structure. It is a protected industry and deservedly so. Consequently, it needs to live up to certain standards more so than some other industries, with respect to the wages they pay to their employees. As was stated by the President in 1937, when he called upon Congress to enact the Sugar Act:

> An industry which desires the protection afforded by a quota system, or a tariff should be expected to guarantee that it will be a good employer.

My bill would have amended the Sugar Act to help assure a realistic fair and reasonable wage to our sugar workers throughout the Nation where it could be reasonably afforded. And while testimony was received in committee on my bill, it was the thinking of the committee that it was not prepared to act on it this year.

In respect to the committee and in deference to the closed rule, under which H.R. 12154 is presently under consideration, I will not insist on the inclusion of my amendment to the Sugar Act. It is my hope, however, that the Senate will take it into consideration for possible inclusion. If this should not materialize, I can only hope that the House will do so next year.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. ROGERS].

(Mr. ROGERS of Texas asked and was given permission to revise and extend his remarks.)

Mr. ROGERS of Texas. I thank the chairman of the House Agriculture Committee for yielding this time to me, and I want to use part of it to answer some statements that were made a minute ago, to clear up the record. I am sorry the time has come when a man who was sent here by the people of his district is accused of griping when he disagrees with a committee or with the chairman of a committee. I want to say that I am willing to do anything for my people short of dishonesty or criminality and if griping will help them you will see me doing plenty of it.

For the 12 years I have been in Congress we have been trying to get additional acreage for the American farmers.

I presume I could be considered as having been griping all of that time. If that is what I have been doing, I plead guilty.

We are happy that we got just a few more acres to put into production in this country. We are not happy that we did not get what I feel the American farmer is entitled to.

There has been a great deal said about the farmer getting production authorization out of the Cuban quota. The fact of the matter is that the bill as extended and the law under which we are now operating did not give the American farmer 1 pound of sugar out of the Cuban quota. You can argue all you want to, but the law preavils, and you cannot show where the American farmer was given 1 pound of sugar, and no American farmer has been allowed to grow 1 pound of sugar that was under the Cuban quota.

Forty-five percent of the sugar consumed in the United States came from foreign sources, and those foreign sources did not include Hawaii, Puerto Rico, or the Virgin Islands. The argument is made this has come out of the Cuban quota in the past. I know that it has not, and the President did not get the authority in the extension of the law to do it. If you will read the law, you will see that it says he is allowed to get this Cuban quota reduction from other foreign countries. All you have to do is to read the law.

There are new growers in this country, people who want to go into the sugar business. Let me make this point clear right now. We are faced with a problem on feed grain.

It is a very strange thing that a great deal of the land that is usable and can be used for feed grain can also grow sugarbeets. Would it not make sense if we took some of this foreign quota and put it into the acreage that could take the place of the feed grain that is burdening our economy with surpluses at the present time?

Mr. BERRY. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Texas. I yield to the gentleman from South Dakota.

Mr. BERRY. I asked the Secretary of Agriculture how many acres were supplanted by the importation of sugar last year and he told me 1.8 million. In other words, 1,800,000 acres were supplanted in this country by the importation of sugar alone.

Mr. ROGERS of Texas. If we could just translate some of those acres into production it would do a great good. Not all of it, of course. We are not asking that all the sugar be produced in this country. We realize there is the foreign trade matter, but we also realize that the American farmer has something in this that he ought to be recognized for.

It has been said that the American farmer is going to be given 50,000 tons of sugar for new growers. Let us clear that up, and all we want are the true facts.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. COOLEY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. ROGERS of Texas. Mr. Chairman, we hear about 50,000 tons of sugar. Let me show you what that does. That is 20,000 acres at the most, and it is designed to provide for the building of one mill a year over a period of 5 years. The odd thing to me in this whole picture is the fact that we hear so much about the 50,000 tons that went to the American farmer and he ought to be satisfied. How much went to foreign countries. Why, 1,500,000 tons went to Communist Cuba. And how is it going to be filled until they come back into the free world? By the American farmer? No; not by the American farmer. They brag about the 50,000 tons that he gets under this bill. How much does Peru get of the Cuban quota? One hundred and fifty thousand tons. How much does Mexico get? How much does the Dominican Republic get? How much does Brazil get, the British West Indies, Australia? All of them get three times each the amount of acreage or the

amount of tonnage that the American farmer gets in this bill. And, I say that it is time we looked at this whole picture and gave the American farmer an equal opportunity to expand in this industry that we are affording foreigners in other countries.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Idaho [Mr. HARDING].

(Mr. HARDING asked and was given permission to revise and extend his remarks.)

Mr. HARDING. Mr. Chairman, the sugar bill before us today is a good bill. It is not what any of us would like in its entirety, but it represents a compromise, and I feel, as a Representative from the sugarbeet area, that we have made some gains in this bill. And if you just look at the facts, you cannot help but recognize it.

In the 1961 quota the sugarbeet quota was 2,110,000 tons. Today we have a sugarbeet quota in this bill of 2,650,000 tons. So our sugarbeet people do receive a substantial increase. The bill before us is substantially the same bill that was agreed upon by all five segments of the domestic industry, including the representatives of the sugarbeet industry.

Now, it has been said by some of the speakers who just preceded me that none of the Cuban windfall went to the domestic industry. The facts do not bear this out. There is a minimum of 500,000 tons that have to go to the domestic industry. When the committee started out to allocate the Cuban quota, we had 3.1 million tons of sugar to allocate. The first 500,000 tons or thereabouts was allocated to the domestic industry. That left us 2.6 million tons to reallocate on either a permanent or temporary basis.

Several of us, including the gentlewoman from Washington and the gentleman from North Dakota and others, wanted to retain 2 million tons of this Cuban quota as a reserve for Cuba and just allocate it on a temporary year-to-year basis. We would then reallocate only the 600,000 tons as a permanent quota for other foreign suppliers. However, we lost on a vote in the committee. It was decided that we would allocate the 1.1 million tons as a permanent quota to other foreign suppliers and 500,000 tons to the domestic industry leaving only 1,500,000 tons as a permanent Cuban quota. I would like to ask anybody that says that the domestic industry did not receive any allocation of the Cuban quota where the 500,000 tons went?

Mr. SHORT. Mr. Chairman, will the gentleman yield?

Mr. HARDING. I will be most happy to yield to the gentleman from North Dakota.

Mr. SHORT. What I was saying, though it has been contradicted here, was that up until now the domestic industry had received no benefit from the cancellation of the Cuban quota, and I think that that is a basic fact that nobody can refute. I will agree with the gentleman that it is out of the Cuban quota, if we desire to put it that way, that our domestic quota has been increased under the provisions of this bill some 500,000 tons, but this does not remove the fact that it is not 500,000 tons above what was actually produced a year ago or this year.

Mr. HARDING. That is correct. But the gentleman does agree with me that 500,000 tons under the new bill is going to be allocated to the domestic industry which was formerly a part of the permanent Cuban quota?

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. HARDING. I would be happy to yield to the gentleman from Texas.

Mr. POAGE. As a matter of fact, up until now—up until now—the mainland domestic growers are growing 786,000 tons more than they were growing in 1960, are they not?

Mr. HARDING. I believe that is correct.

Mr. POAGE. And, if the gentleman will yield further, has any other country in the world been reduced in its opportunity to sell into the American market other than Cuba?

Mr. HARDING. Not to my knowledge.

Mr. POAGE. In other words, the only place where there has been any reduction in the entire world has been out of the Cuban quota, and there has been a 786,000-ton increase in the domestic production. Yet there are those who say that the domestic growers have not gained anything out of the Cuban quota. Can anyone understand that kind of reasoning? Cuba is the only place from whence it could come.

Mr. SHORT. Mr. Chairman, will the gentleman yield for one further question?

Mr. HARDING. I would be happy to yield to the gentleman from North Dakota.

Mr. SHORT. Does the gentleman from Texas [Mr. POAGE] contend that the domestic beet increase would not have been exactly the same had the Cuban quota remained in effect?

Mr. POAGE. Yes; I am talking about what they are growing right now. I am not talking about the law. The gentleman from North Dakota said what they were talking about was right up to now. They are growing all they want to grow right now; they grew all they wanted to grow last year, and they are growing all they want to grow this year.

The CHAIRMAN. The time of the gentleman from Idaho has expired.

Mr. POAGE. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. Chairman, will the gentleman yield?

Mr. HARDING. I yield to the gentleman from Texas.

Mr. POAGE. They are growing all they want to grow right now. Yet they are complaining that they are not getting enough. However, they are growing all they want to grow. There is no limitation, and there has not been a thing in the world in the law which kept them from putting all of their land into beet production. I know they could not sell them, but there has not been anything in the law which kept them from putting their entire place in beets. Now they are complaining they do not have enough, although they can plant every acre to subarbeets which they own.

Mr. HARDING. Mr. Chairman, I thank the gentleman from Texas [Mr. POAGE] for finally observing that all the sugarbeet growers in Texas are now growing all the sugarbeets they want to grow.

Mr. ROGERS of Texas. Mr. Chairman, will the gentleman yield to me on that statement?

Mr. HARDING. I would be happy to yield to the gentleman from Texas.

Mr. ROGERS of Texas. The fact of the matter is that they are not growing all the sugarbeets they want to grow, and it should not be left that way in the RECORD. The reason they are not growing them is because there is no market for them because this law gave all of the production to foreign countries. One can grow all of the jimson weeds one wants to grow, but if one cannot sell them, one is not going to grow them. Anyone knows one cannot grow sugar that is allocated to a foreign country. It is just that simple.

Mr. HARDING. I would like to call the attention of the gentleman from Texas [Mr. ROGERS] to this fact: In this bill we have provided for 50,000 tons a year, or approximately 20,000 acres, the amount for one processing plant each year, to go to new growers. I am very happy to say that I understand a new processing plant is being constructed in California, and I hope that in the future Texas, Kansas, Missouri, and Maine, as well as other States which want to produce sugar, will have the privilege of producing sugarbeets along with new growers in my home State of Idaho.

Mr. Chairman, I again conclude by saying that this bill is a compromise. It is the best bill which the Committee on Agriculture could come up with after long and hard work. I sincerely hope that the House will vote down the amendments.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. POAGE. Mr. Chairman, I yield the gentleman 1 additional minute for the purpose of finishing his sentence.

Mr. HARDING. Mr. Chairman, I hope that the House will vote down the amendments that have been proposed to this bill, and send it on over to the other body in order that we may have a Sugar Act when the present act expires at the end of this month.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. HARDING. I yield to the gentleman from Texas [Mr. POAGE].

Mr. POAGE. Will anyone in Texas, Idaho, North Dakota, or anywhere else receive the benefit of any new mill unless we pass this act?

Mr. HARDING. Absolutely not.

Mr. POAGE. In other words, we have got to pass the act?

Mr. HARDING. This bill will benefit sugarbeet growers and potential sugarbeet growers throughout the United States. If there is no bill, there is no hope for potential sugarbeet growers, and the old growers are faced with ruin.

Mr. ROGERS of Texas. Mr. Chairman, will the gentleman yield?

Mr. HARDING. I would be happy to yield to the gentleman from Texas [Mr. ROGERS].

Mr. ROGERS of Texas. And if there were some other provisions in this bill, the people in Texas, Idaho, and Maine would profit more, would they not, and some of the foreigners would profit less?

Mr. HARDING. As I said earlier, this bill is a compromise. It is not exactly what any of us wanted, but it is the best we could work out that was agreeable to all.

The CHAIRMAN. The time of the gentleman from Idaho has again expired.

Mr. HOEVEN. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. QUIE].

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. QUIE. Mr. Chairman, since there was no answer to the question asked by the gentleman from Texas [Mr. ROGERS] I will give the answer and it is yes. It is undoubtedly the case that we could increase tremendously the production of beet sugar and cane sugar in this country, if we had a chance to do it. We could fill all our needs in this country if this bill would permit it. If the domestic industry wants to increase, the mills need the assurance that they will be able to stay in operation longer than 1 year before they will invest money in the construction of a mill to process the sugar. As long as the mills are not constructed, it is just like saying to someone, "You can raise all the milk or eggs or anything else you want, but you cannot market it."

My objection to this bill—and I do object to the bill—is not because the domestic growers get too small an increase, or are not getting any more of an increase than is provided. The domestic growers have made an agreement, and if they have made an agreement that this is all they need right now, far be it from me to say that I will oppose the bill and vote against it because of that. But it is for some other reasons that I do object to the bill.

One is that the industry had been given the understanding that the Cuban quota would not be reduced below 2 million tons. Originally, Cuba had 3,100,000 tons; and as has been pointed out, or as they have tried to point out, that is the source of this increase in domestic consumption. At least, it is felt that they have shared in the draw-down within what the administration proposed, 2,586,000 tons. That is, they would share in that. But if the Cuban quota is drawn down to 1,500,000 tons, that represents a tremendous reduction in the permanent quota for Cuba that would be going to foreign growers permanently, and that the domestic producers will not have a chance to get.

Mr. Chairman, what I object to most strenuously, even more than this weakness, is the fact that the 1.5 million tons in the committee bill, or the 2 million tons in what I propose as the right amount, would still be upon a premium basis all over the world. The reason why it is set up on a temporary quota basis is that they do not want to set up a sugar czar in the State Department. Well, we are now assuming to be these sugar czars and saying each year to the people from the different countries of the world that they must come before the Committee on Agriculture for their share of this really highly sugared quota. As the Secretary of Agriculture said, it amounts to $50 a ton above the world price. Why in the world should we pay that amount? Under the permanent quota basis we have been giving it to some countries to which we feel some financial obligation. Why should we distribute this all over the world and pay that tremendous premium?

Someday we hope that Castro will be kicked off the island of Cuba, and at that time we will want to hold out a carrot to them, and say that we will buy sugar from Cuba under their quota. And it should be more of a carrot, 2 million tons instead of 1.5 million. Just imagine giving a permanent quota to India, South Africa, and the Island of Mauritius in the Fiji Islands. If we do that for four or five years and pay that high premium price will they not come before us and say "Now our economy is dependent on that premium price that we received from the United States; and you have got to continue to give us some kind of quota. Give us an increase in the permanent quota so that we can continue to furnish the sugar."

We would be over a barrel, and they would be sending their lobbyists in here to see us, as they have done in regard to this bill.

There is no reason that I can see why anyone can claim that the State Department would be the sugar czar, if the sugar came in on a first-come, first-served basis, at the world price. There would be no more advantage for foreign producers to sell their sugar to us than to anyone else, and we would save $50 a ton for over 2 million tons of sugar. I think the taxpayers of this country are entitled to that. This is a very strong argument, and for that reason I was of an open mind in our committee on the idea of global quotas. When it comes to the amount that would be allocated to Cuba—and, of course, we cannot buy from her because Castro still controls that island—I can see no sense in the Committee on Agriculture meeting every year to try to determine among which countries we are going to divide this amount of sugar, because all we can do is to call people up from the Department and find out what the figures are and try to base our action on the information they provide for us.

Then there is a juggling and balancing and compromising on who gets his ideas across, and we play the numbers game on our committee. One day they have so much and the next day they have something else.

I think it also should be pointed out in connection with the permanent quotas in this bill that we are giving permanent quotas to countries outside the Western Hemisphere for whom we have no financial responsibility. We have no financial responsibility for Australia, the Union of South Africa, and so on. I have proposed that we limit our permanent quotas just to the Western Hemisphere countries, with the exception of the Philippines, with whom we have a treaty arrangement, and the Republic of China, which has had a quota before, and who, we feel, needs financial responsibility to help it in its difficulty.

Also, I think it is wrong to give permanent quotas to countries in the Western Hemisphere that have financial relationships with countries outside the Western Hemisphere, that is, countries like the French West Indies, that can sell at a premium to France, and British Honduras, which can deal with Britain. If we buy sugar from those countries, then England, France, and Canada will not be buying it, and they can go out and buy sugar at the world price. So I think these changes must be made in this legislation before it is acceptable.

We also propose in this legislation that the increase in consumption each year will be divided 63 percent domestic and 37 percent foreign. Here again I think this is too small a consumption, but our domestic growers have made an agreement that they would accept the 63 percent so we will have to live with it. But the 37 percent will be allocated to the countries with permanent quotas, and their permanent quotas would be increased without the Congress making a decision on the permanent quota. I think this is wrong. The increase in consumption ought to be allocated on a global-quota basis where we could go out and purchase anyplace in the world, first come first served, at the world price. Then no one somewhere in the State Department could be selling it to us at this price or that price, which this is what this legislation provides.

Mr. LINDSAY. Mr. Chairman, will the gentleman yield?

Mr. QUIE. I yield to the gentleman from New York.

Mr. LINDSAY. I would like to compliment our distinguished colleague from Minnesota on his very excellent statement. It seems to me the gentleman has pointed out some very grave weaknesses in the present bill. Do I correctly understand that the proposal the gentleman from Minnesota suggests as an alternative to the committee bill is supportd by the administration?

Mr. QUIE. That is right. This comes quite close to what the administration proposes. The administration proposes that after a phaseout there will be no permanent quota countries. Bear in mind that these Western Hemisphere countries, plus the Philippines and Formosa, can still have a permanent quota. I am appealing for them and their financial problems. But the idea of buying at the world price and saving $50 a ton, that is right, that it is also the administration's proposal.

Mr. LINDSAY. In theory, the gentleman's proposal is that there would be, one, a greater flexibility in the quotas, and, two, that the market prices would be able to take over and make the decision, as it were, as to which countries would be the vendors?

Mr. QUIE. The gentleman is absolutely correct, that this would be purchased strictly on the free market out in the world, wherever someone is willing to sell it. It undoubtedly would stimulate the world price and strengthen it for the other countries in the world.

Mr. LINDSAY. I was interested in the gentleman's comment that a great deal of money would be saved if the gentleman's theory were adopted by the committee. Speaking as one who comes from a consuming district and speaking for the consumers, how much tax money would be saved?

Mr. QUIE. When the Secretary of Agriculture was before our committee he stated this would amount to $155 million a year when the program got into operation.

Mr. LINDSAY. In view of what the gentleman has said, which did seem to me a persuasive argument, why is it that the majority of the committee refuses to accept the proposal the gentleman is making here?

Mr. QUIE. It is difficult to know other than the assumption that some members of the committee want to keep within this hands the decision of where every pound of sugar is going to be purchased in the world, and they are willing to pay a high premium price in order to get that power.

Mr. Chairman, in order to give you the full details of my views on H.R. 12154, I want to quote from my opposing statement in the committee report. With the time allotted me, it has not been possible to cover all points. My objections are as follows:

In his testimony before the House Committee on Agriculture on May 16, 1962, the Secretary had this further to say about global quotas:

"At present, this part of our total sugar supply—about 2.5 million tons under the proposed bill—is broken up into a number of small compartments, each reserved for an individual country. A natural disaster in any one of them, a strike or other economic emergency, or a miscalculation as to production interferes with the flow of sugar from that source. This can no more be corrected quickly than it can be foreseen. With a global quota, our refiners have many countries from which to obtain their supplies. If a stoppage occurs in the flow from one source, additional quantities are readily available elsewhere. The situation reverts in essence to what it was when Cuba maintained a large reserve available on short notice when and as needed. I have heard it said that the so-called global quota will adversely affect security of our foreign sugar supplies. In fact, for the reasons I have stated, the reverse is true.

"I have also heard it said that the import fee system might cause a flood of sugar to appear in our ports at the beginning of a year or at some other time during the year. I believe that there need be no such fear. The very nature of the flexible import fee eliminates the danger. If the flow of such supplies increases unduly, it means that the world price of sugar is falling and the fee should and would be increased to compensate. On the other hand, if the flow of supplies wanes, it means that the world price of sugar is rising and the fee should and would be reduced correspondingly.

"Sugar users would gain no price advantage through the use of the system, but they would have much greater assurance of supplies. On the other hand, domestic producers need not fear adverse effect upon their interests. They would continue to receive the income protection which is inherent in the sugar program. Furthermore, for the long pull the sugar program and the income protection imparted to our domestic producers by reason of that program would be on a sounder footing than it has been at any time since Castro came to power in Cuba."

CONGRESS ASSUMES RESPONSIBILITY OF THE EXECUTIVE

When sugar is purchased from countries outside the United States, a certain amount of flexibility in administration is necessary, since it cannot be determined at the beginning of the year, the adequacy of supplies of any specific country, as was pointed out previously. I think it is undesirable for the Congress to attempt to administer laws, as it is for the Executive to try to write our laws, which is constitutionally the responsibility of the Congress. In this case, I think the Congress is overstepping its bounds in attempting to allocate on a quota basis, either permanent or temporary, the country where every pound of sugar should be purchased. A realization of this is the provision in H.R. 12154 that each year the temporary quota shall be reallocated. Again the Congress will have to sit with the experts in the executive branch of the Government and find out from them where the sugar is available and where it is most desirable to purchase it. Then decisions should be made from the study of experts who have knowledge of the complete foreign sugar situation. Under our system of government, a decision needs to be made by the head of a department when foreign policy is involved and the great details must be considered before determining the country where sugar should be purchased, rather than compromising between the interests of the various Members of the Congress.

CUBA

As I pointed out earlier, I feel that the domestic quota is too small, that the potential of domestic production is so tremendous that we could produce all of our domestic needs in this country, and that this would be a great benefit to many of our own depressed agricultural counties, but that I am not objecting for this reason. However, in the bill introduced by the chairman for the administration, Cuba would have been allocated a permanent quota of 2,586,000 tons. H.R. 12154 has cut this to 1,500,000 tons. When the domestic sugar growers' organizations made their agreement as to the permanent quota which they will receive, an assumption was made that an agreement had been reached and the permanent quota allocated for Cuba would not be less than 2 million tons. In the event we should resume diplomatic relations with Cuba some time in the future, her quota should not be less than 2 million tons. As the Secretary of Agriculture stated in his testimony, "This change reserves for Cuba a market for a substantial quantity of the sugar crop when we resume diplomatic relations."

I also want to quote from our committee hearings from the statement of Mr. G. Griffith Johnson, Assistant Secretary of State for Economic Affairs, who represented Under Secretary Ball:

"Finally, and I hope that the committee will give special consideration to this factor we must be prepared for the day when Cuba returns to the West. At that time, Cuba must have the opportunity to sell sugar in the U.S. market. If we continue to distribute the Cuban quota with the premium price to other countries, vested interests in the new and larger quotas would become entrenched. It would be extremely difficult to reduce these quotas so as to provide a market for Cuba's major export commodity. It also would provide Castro with a persuasive argument that the West has deserted the Cuban people and that their economic future lies with the Communist bloc. Making the Cuban quota available now to all friendly countries on a nondiscriminatory basis would diminish the buildup of vested interests and still provide Cuba the opportunity to reenter our market."

Cuba, under the expiring legislation, has a permanent quota of 3,100,000 tons, and as the Secretary of Agriculture pointed out in his testimony, "Cuba's proration has been reduced sufficiently to accommodate the increases in domestic quotas." I think the permanent quota of 1,500,000 tons is too small if we are going to hold out an inducement to Cuba. However, it should also be pointed out that in all fairness, if the Congress decides to reduce Cuba's permanent sugar quota below 2 million tons, which was presumed to be the floor by the domestic sugar growers these domestic sugar growers should share in the permanent reallocation of these quotas.

COUNTRIES OUTSIDE THE WESTERN HEMISPHERE

In the past, the United States has given permanent sugar quotas only to Western Hemisphere nations with the exception of the Republic of the Philippines, with which we have a treaty agreement, and the Republic of China whom we have been assisting ever since the Communists pushed them off the mainland—and for some reason which is hard to determine, a small quota was given to Canada and several Western European countries. Under this proposed bill, it is proposed to give substantial permanent quotas to the Union of South Africa, the island of Mauritius, the Fiji Islands, Australia, India, and the Netherlands. It surely seems unwise to me that the United States should begin allocating permanent quotas to countries for which we feel no financial responsibility. I believe that any permanent quotas, outside the Western Hemisphere, in the future should be limited to the Republic of the Philippines and the Republic of China.

WESTERN HEMISPHERE

Under the expiring sugar legislation, certain countries in the Western Hemisphere have received permanent sugar quotas. In the past, no permanent quotas have been allocated to countries which have some financial arrangement for premium prices to be paid on sugar purchased by nations outside of the Western Hemisphere. This bill provides that French West Indies, British West Indies, and British Honduras would receive permanent sugar quotas from the United States, even though they already have sugar arrangements with the British Commonwealth or France, who in turn would have a demand which could be filled from sugar purchases from Cuba at the world price. We have had a ban on imports of sugar from Cuba for some time, and have been concerned about the possibility of transshipments through other countries. This surely looks like an indirect transshipment.

CONSUMPTION INCREASES

H.R. 12154 provides, as did the administration bill, that the increases in consumption in the United States each year will be allocated 63 percent to domestic producers and 37 percent to foreign sources. Although I do not agree that 63 percent is a sufficient amount to allocate to our domestic producers with this great production potential, it is not the reason for my objecion to H.R. 12154. An agreement has been reached by the domestic sugar industry to accept this figure. I disagree with the allocation of 37 percent of the annual increase in sugar consumption to the permanent quota countries whose quotas, if H.R. 12154 is passed, will have been substantially increased. If the Congress is to make the decision from time to time as to what permanent quotas should

be allocated to any country for which we feel a financial obligation—as I pointed out—this should be limited to the Western Hemisphere, with the exception of the two countries, the Philippines and the Republic of China. No further increase in permanent quotas should automatically be allocated to them because of increased domestic consumption. I believe that this 37 percent should be secured on a global quota basis, that is, purchased from any country with whom we have diplomatic relations in the world.

I quote from the statement of Mr. G. Griffith Johnson, Assistant Secretary of State for Economic Affairs, who represented Under Secretary Ball:

"This fee would be approximately equal to the amount by which our domestic sugar price exceeds the foreign market price for sugar, except that for countries now having basic quotas, the fee would be imposed in five equal steps over the life of the act. It would eliminate substantially all this subsidy or price incentive which now stimulates foreign countries to struggle so desperately for a sugar quota in the U.S. market. In the absence of this price subsidy, the need for individual country quotas disappears. Within the limitations of an overall global quota, the market can then be opened to all friendly countries on a completely nondiscriminatory basis. The funds collected from the import fee would be deposited in the Treasury of the United States."

When the bill is considered on the floor of the House, I intend to offer a series of amendments which would:

1. Set the Cuban drawback at 2 million tons, rather than at 1.5 million tons as provided under the committee bill.

2. Set smaller quotas for fewer nations than is proposed by the committee bill. Only Western Hemisphere nations not connected with the United Kingdom and France along with the Philippines and the Republic of China should share in permanent quotas.

3. Establish a global quota system for the 2,160,000 tons not allocated to specific countries, rather than tying down every pound of sugar as the committee bill does.

4. Delete the authority in the bill for repaying Dominican Republic sugar interests some $22.8 million withheld by our Government from certain Dominican sugar imports in 1960 and 1961.

A comparison of present quotas, the committee bill, and my substitute follows:

Country	Present quota	Committee bill		Quie substitute, permanent only
		Permanent	Temporary	
Domestics	5,810,000	5,810,000	----------	5,810,000
Cuba	3,100,000	1,500,000	----------	2,000,000 (global quota)
Philippines	980,000	1,050,000	150,000	1,000,000
Peru	122,000	200,000	150,000	150,000
Dominican Republic	111,000	200,000	150,000	150,000
Mexico	95,000	200,000	150,000	150,000
Brazil	0	190,000	150,000	150,000
British West Indies	0	100,000	150,000	0
Australia	0	50,000	150,000	0
French West Indies	0	40,000	----------	0
Nicaragua	17,000	30,000	----------	20,000
Costa Rica	4,000	30,000	----------	10,000
Republic of China	4,000	45,000	150,000	20,000
Ecuador	0	30,000	----------	10,000
Colombia	0	35,000	----------	10,000
Haiti	8,000	25,000	----------	20,000
Guatemala	0	20,000	----------	10,000
Argentina	0	20,000	----------	10,000
India	0	30,000	100,000	0
South Africa	0	20,000	100,000	0
Panama	4,000	15,000	----------	10,000
El Salvador	0	10,000	----------	5,000
Paraguay	0	10,000	----------	5,000
British Honduras	0	10,000	----------	0
Fiji Islands	0	10,000	----------	0
Netherlands	4,000	10,000	----------	0
Mauritius	0	10,000	100,000	0
Unallocated amounts for additional global quota	----------	----------	----------	730,000 160,000
Total	----------	9,700,000	1,500,000	9,700,000

Mr. Chairman, it was my hope that my substitute would be the vote to recommit. The decision has been made by the leadership on this side that if the amendment of the gentleman from Kansas [Mr. DOLE] prevails, I will offer my substitute on the motion to recommit. If the Dole amendment does not prevail, it will be the motion to recommit.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. FINDLEY].

(Mr. FINDLEY asked and was given permission to revise and extend his remarks.)

Mr. FINDLEY. Mr. Chairman, this is a unique piece of legislation. It is a combination of price control to the detriment of the consumer, foreign aid, and trade restriction which is hardly consistent with the avowed objectives of the administration.

But most of all, it is a prize example of supply management. It is appropriate that we are considering this bill the same week we will consider H.R. 11222 which would bring into being the fateful first step of supply management for feed grains.

Mr. ASHBROOK. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield.

Mr. ASHBROOK. The gentleman brought up the point of foreign aid. I wonder if the gentleman who is a member of the Committee on Agriculture could explain to me this situation. It seems rather interesting that the two countries in the world who in past years have either committed aggression against us or against the peace of the world now come in for brandnew quotas. I am speaking, of course, of Brazil and India. Brazil expropriates our property and we reward them with a permanent quota. India invades Goa and we likewise reward them. I wonder what the feeling of the Committee on Agriculture is on this point?

Mr. FINDLEY. It was very unfortunate that a quota was assigned to those two countries. It is unfortunate that we get foreign aid mixed up in actions by the Committee on Agriculture. Furthermore, if we are to have foreign aid, I am highly in favor of foreign aid to domestic producers and not to producers such as those the gentleman identified who are in countries that have committed acts at variance with our own principles in foreign affairs.

Mr. ASHBROOK. Mr. Chairman, will the gentleman yield?

Mr. FINDLEY. I yield.

Mr. ASHBROOK. It seems very consistent with the State Department policy of bending over backwards for those who seem to be most aggressive in their conduct toward us. It is a good example of our weak-kneed foreign policy and represents one of many reasons why this bill should not be approved.

Mr. FINDLEY. Speaking of the State Department, on February 21 the Secretary of State said, and I quote:

Either we believe in capitalism and freedom of individual enterprise or we do not, and we do not if we hold with massive Government intervention to distort and freeze the market. If we look to Government to rig the game, we may as well look to them to play the hand.

Clearly, here is an example of Government intervention to rig the market.

To support my statement that this is a prize example of supply management, I would like to quote no less an authority than Secretary Freeman in response to a question by the gentleman from Virginia [Mr. JENNINGS] as reported on page 65 of the committee hearings. Speaking of the Sugar Act, he said:

It is an example, I think, of successful supply management and hopefully from it experience will carry over to other commodities which need to also enjoy management.

So here is the pattern. Here is the wave of the future. H.R. 11222 would head us toward endless squabbles over who is going to get how big a piece of the feed grains pie in years to come, just as we are squabbling today over who is to get how big a piece of the sugar pie.

Mr. Chairman, the Sugar Act is an example of supply management, the Government-control approach which has already been established in varying degrees in tobacco, cotton, rice, peanuts, and wheat. It is now being advocated by the administration for other commodities, notably feed grains.

Supply management can take various forms. Of these, our sugar control arrangement should qualify as the prototype for complexity, extent of Government power, and absence of competitive conditions.

Government control is so deeply imbedded in sugar production and marketing that even a gap of 1 month between the expiration of the present Sugar Act and the enactment of a new one is unthinkable.

Supply management in sugar has been successful in stabilizing prices and supplies, but this has been achieved at a tremendous cost:

Prices to consumers are artificially high.

Consumers fork over the difference between low world-market prices and high U.S. prices.

A bureaucracy is established to administer the controls, and this payroll becomes a fixed burden.

An excise tax of one-half cent per pound is paid by the taxpayer. This, plus the tariff on imports, finances the program.

Almost nobody is happy. Only the favored few can share the sugar-quota pie, and these squabble endlessly because each wants a bigger cut. This is true of quota countries abroad and the tightly controlled circle of domestic producers and processors.

Those not cut in on the pie consider themselves unfairly treated. And so they are.

The right to grow and process acquires an artificial value and becomes capitalized into the land and business enterprise. Trade channels become rigid. This makes it difficult—if not impossible—ever to cast off supply management in favor of the competitive marketplace system.

Quotas are such rich prizes they are used as instruments of foreign policy and become tempting plums for influence peddlers.

The $22 million claim against the United States in behalf of the Dominican Republic is a case in point. The claim arises because the United States did not pay the full premium price for some of the sugar it purchased from the Dominican Republic in 1960–61. The price paid was above the world market, but still not sweet enough to satisfy an appetite long accustomed to easy money.

All this may appear to be an unbelievable chamber of horrors to those who believe in a competitive marketplace.

Be assured, it is a reality, and has been since 1934.

Through successive Sugar Acts—such as the one now before us—Congress specifies what countries will share in the sugar pie, how big each piece will be, and also the price of sugar to consumers.

The piece of the pie set aside for U.S. producers is subdivided by means of Federal licenses to sugar mills. Each mill contracts for supplies from individual farmers. Acreage allotments were used until the last few years, and authority for them remains. This bill would reimpose allotments beginning next year.

U.S. sugar production has always been artificially supported, as sugar can be produced more economically in the tropics.

Until 1934, a simple tariff encouraged domestic production. Under this arrangement, all nations had equal access to the U.S. sugar market, by the tariff route, and all U.S. farmers had equal access within the tariff walls.

Under supply management, there is no such thing as equal access inside or outside the tariff walls. The right to market is apportioned arbitrarily by the U.S. Government to certain favored nations and within the United States to certain favored mills.

The supply management approach, whether it be applied to sugar or to corn, is clearly contrary to the goal of free trade. It also clearly breeds ill will among nations and heaps new burdens on U.S. consumers and taxpayers.

Rather than extend this rigid and costly system for another 5 years and thus make it all the more difficult to return to a marketplace system, we should begin to phase out quotas, and establish a means of protecting domestic sugar production more in accord with the competitive private enterprise system.

Mr. HOEVEN. Mr. Chairman, I yield 10 minutes to the gentleman from Kansas [Mr. DOLE].

Mr. DOLE. Mr. Chairman, under the rule an amendment will be in order to strike out section 18 of the bill, which section appears on page 25. This section I will refer to as the Dominican Republic windfall section. By adoption of this amendment in our committee, our committee has sat in judgment as a jury, and has in effect stated that we owe the Dominican Republic Sugar Co., the South Puerto Rican Sugar Co., and another sugar company the approximate sum of $22 million.

First let me say this is not a partisan issue. This feature was not contained in the administration bill we first considered. This is an amendment that was adopted by our committee. It is opposed by the USDA and by the Justice Department.

When this amendment was first adopted I became curious about it. On examination I found there is a case pending right now in the U.S. Court of Claims. I have here the petition filed by the South Puerto Rican Sugar Co. for $7 million. There is another filed by the Dominican Sugar Corp. for approximately $14 million, and another company claims about $2 million. This action was filed September 21, 1961. In February of this year the U.S. Government filed its answer. I have been in communication with the Justice Department, and have talked with John D. Miller, who is Chief Counsel for the Court of Claims, and in a communication dated June 13, 1962, he pointed out to me that he feels they have a valid defense.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. DOLE. I yield.

Mr. FINDLEY. I believe the gentleman will recall that when the Chief of the Sugar Division was before the committee I asked him if he had any doubt as to whether the merits of this case would be fairly considered in the Court of Claims. He responded by saying that he did not have any doubt but what it would receive fair and impartial consideration in the Court of Claims.

Mr. DOLE. I thank the gentleman from Illinois. I think we all feel bound to meet any moral obligation our country may have to other countries. I do not know of any obligation our country has gone back on. The question, as I see it, is whether we, as Members of Congress, should authorize paying $22 million in settlement of these cases which are pending in the Court of Claims, especially when the Justice Department indicates there is a valid defense to them.

It was most interesting when Mr. Surrey, who appears in the Court of Claims records as an attorney for the plaintiff, appeared before our committee for the South Puerto Rican Sugar Co. and indicated that money is hard to get out of our Treasury. He stated at that time: "We need your help to get it out."

Mr. SHORT commented: "It is not difficult to get it for some other purposes."

To me the question is whether or not there is any excuse for paying this sum of money to the South Puerto Rican Sugar Co., the Dominican Sugar Corp., and the Porcella Vicini Co. Certainly nobody has any quarrel with any legally just claim, but with these cases pending in the Court of Claims it is not our prerogative to say they are just.

When we stopped taking Cuban sugar it became necessary to find other sources of sugar so we upped total imports some 543,700 tons of nonquota sugar from the Dominican Republic. In other words this amount was imported by the South Puerto Rican Sugar Co., the Dominican Sugar Co., and the Porcella Vicini Co. The total import fee on this sugar at approximately 2¼ cents a pound during the last quarter of 1960 and the first quarter of 1961 amounts to the total sum of $22,755,153.67; and this is the amount in dispute now.

Mr. DOMINICK. Mr. Chairman, will the gentleman yield?

Mr. DOLE. I yield.

Mr. DOMINICK. I just want to congratulate the gentleman from Kansas for bringing this out and giving us a very excellent explanation of it. It is my understanding that an amendment to knock out this section will be in order.

Mr. DOLE. That is right; the gentleman is correct.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. DOLE. I yield to the gentleman from Missouri.

Mr. JONES of Missouri. Did you not get the impression during the hearing before the committee that this $22 million will not go to the Government because the State Department has indicated it is going to give $22 million in aid even if this claim is not sustained. Is not that true?

Mr. DOLE. I may say, in all fairness to the gentleman from Missouri, that may be true, but the only session where Mr. Rusk was present was an executive session, and I do not know that I am at liberty to divulge what happened in the executive session.

Mr. JONES of Missouri. The State Department has indicated it is going to give $22 million in aid. Do not leave the impression we are saving $22 million if we strike the amendment out. It is a question of whether we are going to pay it in the usual procedure that has been followed in other cases, or whether we

are going to let the State Department pay it through another avenue. At any rate, it is going to be $22 million.

Mr. DOLE. It might be $44 million.

Mr. JONES of Missouri. It probably will be more than that, but I think in any event we are not saving $22 million by accepting the amendment. We would be restoring the $22 million to some of the rightful owners, including some Americans who are involved, and who would not be benefited by the aid money that will be sent down there by the State Department. I think that is a fair statement.

Mr. DOLE. In answer to the gentleman from Missouri, may I say that the question before the committee is not the question of a moral obligation to anybody. We have a case pending in the Court of Claims here. The Justice Department indicates it has a valid defense. The question is whether or not we shall pay a claim pending in court, and in my opinion it is bad for the committee to establish such a precedent.

Mr. JONES of Missouri. There is also politics involved in this, and also it might have some effect on the political situation in the Dominican Republic, which could result in the same thing happening down there that happened in Cuba.

Mr. DOLE. There was a statement made in committee that some information had been leaked, which happens occasionally, and that the people of the Dominican Republic were anticipating receiving this money on the strength of the amendment adopted in our committee. But that is beside the point, the question is whether we owe the money.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. DOLE. I yield to the gentleman from Oklahoma.

Mr. BELCHER. Do we place a tax on the sugar coming in from Brazil, on the same type of sugar?

Mr. DOLE. I do not know.

Mr. BELCHER. Did the Dominican Republic expropriate our telephone interest in the Dominican Republic the same as Brazil did?

Mr. DOLE. I do not know what they expropriated.

Mr. BELCHER. The people of Brazil who did confiscate American property get 2½ cents a pound better on their sugar than we gave the Dominican Republic.

Mr. DOLE. In fairness to the gentleman from Oklahoma I should say we are discussing the question of the Dominican Republic right now.

Mr. BELCHER. We are discussing the moral proposition. I grant that probably we do not have a legal standpoint, but claims are paid by the U.S. Government in which there is no legal standpoint. The question that appeals to me is it is the only country I know of on the face of the earth we imposed a tax on. We took the sugar from Cuba and charged an import tax. In the case of the Dominican Republic, of course, it was obviously to get rid of Trujillo, and it did get rid of him. It is a good $22 million well spent. How much money would the gentleman give to get rid of Castro? Would he give $22 million?

Mr. DOLE. I do not have that kind of money, but this sugar imported from the Dominican Republic was sold voluntarily. They were not forced to sell it to us. They were paid the world price. They received as much from us as they could get from anybody else. This was pointed out by Mr. Lawrence Myers, who is Chief of the Sugar Division of the USDA. He indicated the fees were legally imposed and should not be returned.

Mr. BELCHER. There is no question but what Trujillo had the right to sell the sugar, but the American sugar companies down there could not have withheld the sugar.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. HOEVEN. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. COOLEY. Mr. Chairman, will the geneleman yield?

Mr. DOLE. I yield to the gentleman from North Carolina.

Mr. COOLEY. May I suggest to the gentleman that when the money was collected it was my opinion it was illegally taken, but I did not complain about it because it was keeping it out of the hands of a dictator. But, now, since we did take it away and they are now involved in litigation, it seems to me that in good faith we should refund the money, and unless we do this, the net result will be the confiscation and expropriation of the property of the stockholders of the South Puerto Rico Sugar Co., which is an American company.

Mr. DOLE. I appreciate the comment, but I do not conclude as you have. They delivered this sugar voluntarily. They knew there would be a fee imposed. Why should we, as Members of the Congress, sit as judge and jury and pronounce a sentence of guilty when the matter is now before the Court of Claims?

Mr. COOLEY. They had no other choice. There was a man who had a pistol at their backs, and they had to deliver. If they had failed to deliver it is a well known fact that the property of the company would have been expropriated or confiscated, so the company was forced to deliver the sugar.

Mr. DOLE. The South Puerto Rico Sugar Co. was involved in this, and we are not bound by what Trujillo would do.

Mr. COOLEY. But certainly they were bound. Their property was there, it is still there, and it is an American owned company.

Mr. DOLE. I think this is a proper matter for the Court of Claims, and they would be happy to have the information. I say let the Court of Claims decide.

Mr. COOLEY. I think it is more than a legal obligation; I think it is a moral obligation for us to return the money.

Mr. DOLE. I might point out again this is opposed by the USDA and the Justice Department. I want to conclude by saying that I agree with the gentleman from Texas [Mr. ROGERS] that this measure means little to the domestic growers and that it lacks provisions which would require countries who sell us sugar to buy our surplus agricultural commodities.

Mr. COOLEY. Mr. Chairman, I yield myself 3 minutes.

Mr. Chairman, since the gentleman from Kansas, Mr. DOLE, has brought this matter up, I want to conclude by saying that this matter was first called to my attention by a representative of the State Department who asked what I thought about the return of this money. I agreed with him and I thought we were morally obligated to return it. I then had a long letter from the South Puerto Rico Sugar Co. which I transmitted to the White House, and I received a reply from the White House indicating that the money should be returned; not in this way, but rather as a part of the AID program. Now we have a government down there of seven men struggling to hold the government together until they can have an election, and when the news went out that our committee had approved this provision by more than a 2 to 1 vote, the headlines in the paper were just tremendous; everybody was delighted and happy. Now we come along and say we are going to hold this money back and we are going to take the sugar bill and make it into a welfare program. I am told by a high-ranking official of the Dominican Republic that it might have such an impact on the government right now that the government now in existence might even fall. In good faith we should return this money and not drag it through the courts here for the next 5 or 6 years. I helped write this law and I know we did not authorize different treatments for different areas. But, President Eisenhower was in a bad situation. He did what he thought was expedient and right, and if he could speak to us right now, I am sure he would say he would be in favor of giving this money back. Are we going to keep it? This is the only proper way to get it out. We use the President as the instrumentality through which the money will be refunded, and he will make the repayment only under the conditions stated in the bill. The companies have entered into an agreement. I have a letter here addressed by the South Puerto Rico Sugar Co., to the Minister of Council or something in the Dominican Republic, members of the council of state, making a proposal, which they in turn accepted.

LA ROMANA, DOMINICAN REPUBLIC,
February 21, 1962.

MEMBERS OF THE COUNCIL OF STATE,
National Palace,
Santo Domingo, Dominican Republic,

SIRS: We understand that the Government of the United States is considering the introduction of a bill which would authorize the return to the Dominican Republic of an amount equal to the dollar sum collected by virtue of the fees established in 1960–61 on the importation of Dominican nonquota sugars.

In the event the law provides for the return of such amount to the Dominican Republic and requires that the suits in the United States be satisfied with no further liability to the United States. South Puerto Rico Sugar Co. Trading Corp. is prepared to receive in Dominican pesos its proper share after payment of Dominican taxes and invest same in the Dominican Republic in accordance with the broad principles of the Alianza para el Progreso program.

Central Romana Corp., South Puerto Rico Sugar Co., and South Puerto Sugar Co. Trading Corp. whom I have the honor to represent as president, have authorized me to advise the Dominican Government their unrestricted acceptance of the above conditions for the return of an amount equivalent to the fee collected by the U.S. Government and have requested me to obtain the corresponding approval of the Dominican Government.

With expressions of high esteem, we remain,

Yours very truly,

SOUTH PUERTO RICO SUGAR CO.,
SOUTH PUERTO RICO SUGAR CO TRADING CORP., CENTRAL ROMANA CORP.,
G. D. DEBEVOISE, *President.*

SANTO DOMINGO, DOMINICAN REPUBLIC,
February 28, 1962.

G. DOUGLASS DEBEVOISE,
President, South Puerto Rico Sugar Co.

DISTINGUISHED GENTLEMEN: In connection with your letter of the 22d of February of this year, I wish to advise you briefly that the Council of State has acted favorably on the proposition of your companies in the sense that the South Puerto Rico Sugar Co. Trading Corp. is disposed to receive in Dominican pesos that portion which corresponds to the return payment after the payment of Dominican taxes and to invest the remaining sums in this country in accordance with the general principles of the Alliance for Progress program, if the Congress of the United States will pass a law authorizing the return to our country of a sum equal in value to the dollars collected by the fees charged in the years 1960 and 1961 on the importation of Dominican sugar outside the quota.

DR. FREDERICO C. ALVAREZ HIJO,
Secretary of State of the Presidency.

That means that they agreed that not one dollar of this money would be brought out by South Puerto Rico out of the Dominican Republic. They would take the money in pesos and they would pay the taxes, which would amount to more than 50 percent of the money involved, and they would take the remaining pesos and build low-cost housing for the workers in order to build up the economy of the country at a time when they needed help.

If, Mr. Chairman, President Eisenhower had not taken the action then Trujillo would have taken the money himself and absconded with it, or probably sent it to Geneva or some other foreign country. However, by doing what Mr. Eisenhower did he saved this $22 million, and we should now give it back to the people to whom it belongs.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. LATTA].

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Chairman, I would like to say at the outset that I am going to have to reluctantly vote "aye" when this bill is called for a record vote, even though, as I set forth in my additional views in the report, there are certain parts of this bill that I do not like. In this respect, it is not unlike other bills. However, in this particular bill, I think we have completely overlooked an opportunity to relieve the taxpayers of some of the burden of paying storage charges on crops which are in surplus while permitting our domestic producers of sugarbeets and sugarcane to produce more of a commodity not in surplus. Mr. Chairman, I do not think this makes legislative sense. How we can go back home after we vote for a bill failing to take advantage of this opportunity and explain such a vote, is more than I can comprehend. We can talk about statistics, as was done earlier, and say we are actually raising the quota of our domestic beet producers to 2.65 million tons. But we lose sight of the fact that this year we will produce in the United States, according to the report of the majority which appears on page 8 of the report, 2.8 million tons of beet sugar. Now it is argued that just because we are raising the legal quota as fixed in this bill to 2,650,000 tons, we are actually doing something for the domestic producers. I do not care what you put down on paper. What matters is what is actually being produced. Since Secretary Benson suspended the quotas on sugarbeets in 1960 for the 1961 crop, we have increased our production. That means something to the farmers, and it means something to the taxpayers of this Nation, as these farmers were not producing a crop which is in surplus.

We have continued to increase production among beet producers in the United States ever since that time. Secretary Freeman followed suit in 1961 and suspended quotas for 1962. It is hoped that he will do likewise for the 1963 crop. However, since this bill covers a period of 5 years, what happens for the other 4 years? We may well see this bill cause a reimposition of quotas on sugarbeet production in the United States for these 4 years. Let us not forget this. Even now, forgetting what we put down on paper, we are seeing a cutback in the bill of our domestic beet production from 2.8 million to 2.65 millions tons. There just is not any way you can talk yourself around this fact. I think that is something we ought to consider before we vote on this bill.

Mr. Chairman, I am sorry that we cannot amend this bill in this respect. I spoke out against this in committee, and I speak out against it now, as I think we should have done more for our own beet producers. Yes, we are giving these new growers the gentleman from Texas [Mr. ROGERS] is so concerned about, something as a result of the growth provisions contained in the bill. According to testimony presented before our committee, we have approximately 150,000 tons of growth needs a year. One-third of that—small, infinitesimal amount is given to new producers. Now, here is a real gimmick—a real political gimmick, if you please: The Secretary of Agriculture shall say where that 150,000 tons shall be placed.

Let us assume that he really gets political, as he does sometimes, and says to Texas: "You produce us all Democratic Congressmen and Democratic Senators and get back into the Democratic fold, and we will give it all to you."

Down in North Carolina he may say: "We will give you this plant this year," and "We will give it to you over in North Dakota next year if your produce politically." There is nothing in this bill to prevent him from doing that. We set no standards for him to follow and there is nothing to keep him from rewarding the faithful with a sugar mill.

Mr. ROGERS of Texas. Mr. Chairman, will the gentleman yield?

Mr. LATTA. I am happy to yield to the gentleman from Texas.

Mr. ROGERS of Texas. There is another fact that I think ought to be pointed out. This does not say that we are guaranteed 50,000 tons. It says that the Secretary of Agriculture may allocate or may hold in reserve not in excess of 50,000 tons. That, to me, means that he may hold not in excess of 5,000 tons or 10,000 tons or 1,000 tons. We do not get anything by it.

Mr. LATTA. Mr. Chairman, I agree with the gentleman and as, perhaps, the Secretary of Agriculture would say on that, this is his "protection."

Nevertheless, that is only one-third of the growth consumption in the United States for 1 year. When we look at the consumption in the United States of 9,700,000 tons of sugar, and then we talk about 50,000 tons, it seems relatively small.

In northwest Ohio we have three beet-producing plants. We also produce all of these crops which are in surplus. Everybody admits it. We have corn that is produced in northwest Ohio; we have wheat, we have barley, and many other crops. There is an area where farmers could readily divert some of the land they are putting into these surplus crops into beet production. But under the provisions of this bill they are just not going to be able to do that. I think from that standpoint this bill is shortsighted.

As I said before, we have to take it or leave it, since we cannot amend it. I think this type rule is bad.

Mr. Chairman, in conclusion I want to say that I support the Dole amendment. Why? Because I know nothing about the merits of this case. Here is a $22-million lawsuit pending in the Court of Claims of the United States. We have testimony from plaintiffs, in our committee, of perhaps a half hour or an hour. Being a lawyer I would like to try such cases before congressional committees. Seriously, when $22 million is involved, don't you think more time should be spent to determine the merits of the case?

Can I stand before the Members of this House and say I cannot support the Dole amendment when I know absolutely nothing about this alleged claim of $22 million? I do not see how we can take things on faith to the extent of $22 million and go back home and face the taxpayers who pick up the tab. Whether you give it to them in foreign aid is up to the foreign-aid experts in this House, not the Agriculture Committee. I am concerned today with the merits of the litigation pending in the court of claims and since that matter is now being adjudicated, I say let the courts decide it and if they decide against the plaintiffs in that case then is the time for them to come before the Foreign Affairs Committee and say, "We

need $22 million in taxpayers' funds for foreign aid," and let the Foreign Affairs Committee decide whether or not they should have the money. This should not be decided today.

I support the Dole amendment.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Nebraska [Mr. BEERMANN].

Mr. BEERMANN. Mr. Chairman, when the House Committee on Agriculture started hearings on sugar legislation several weeks ago I intended firmly to support almost any kind of sugar legislation that came out of the committee.

My State raises many sugarbeets and there are several sugar mills in our State. Most of them this year are running to capacity except for the western part of the State.

I should like to name four or five points I think we should take into consideration. When the Secretary of Agriculture came before the committee the following discussion took place in favor of allocating more than 50,000-ton additional annual domestic production. Mr. Chairman, in order to shed a little more light on this subject, let me quote page 61 of the hearings:

The CHAIRMAN. Mr. BEERMANN.

Mr. BEERMANN. Mr. Secretary, would it be helpful to the Secretary in determining the allocation if this committee would provide that an additional 1 million tons be allocated domestically so that perhaps 20 new mills could be built?

Secretary FREEMAN. I think the domestic allocation which has been determined at this time balances the aspirations and desires of the domestic producers and prevents any need of cutback and at the same time recognizes some of the other interests of this Nation in a fair manner, and I would hope that allocations and percentages as discussed by many, many people over an extended period of time, seeking to balance the interests of all concerned, would commend themselves to this committee.

Mr. BEERMANN. Let us assume that there are two areas that are capable of producing the tonnage and building the plants. Would the Secretary allocate the two areas, or what criteria would he use to allocate one?

Secretary FREEMAN. Well, if you assume there are two equal situations under the new-grower provision and that they were identical in every respect, I would expect that the criterion would then be as we said, first-come, first-served basis.

Mr. BEERMANN. That would be the criteria that would be used, first-come, first-served?

Secretary FREEMAN. Yes, sir.

Mr. BEERMANN. Then, Mr. Secretary, due to the fact that the sugarbeets could be grown on land that is presently producing crops in surplus, would you consider transfers of production from crops in surplus to sugarbeets, not in surplus, as part of the criteria?

Secretary FREEMAN. Well, this would be one of the factors that might be taken into consideration under the construction set down in the bill presently and in that event, they would not be equal circumstances and I doubt if you will ever get the two identical circumstances.

I agree with the gentleman from Ohio, but I would like to say that I do not believe we want to shoulder the responsibility from the House or the Congress to any Secretary of Agriculture, so that he will be subject to that kind of pressure that he will be subject to each year for only one new mill, especially in the light of the fact that other crops are grown in surplus.

I think Congress has missed a golden opportunity to trade our surplus commodities for a surplus commodity of other countries; namely, sugar. It would be good for the taxpayers, for agriculture, and I believe for foreign relations. I feel that the 2-million-ton Cuban fallback provision would have been far better, and our domestic producers should have been given a much larger allocation. It would have enhanced farm income continuously. It would have provided for capital investments. Each of these mills costs $15 million or more. It would help our economy and our unemployment situation, and I go back to "Operation Employment," which the gentleman from North Dakota [Mr. SHORT] and I discussed last session. It would also have permitted a shift from crops in surplus to crops not in surplus.

There is a further example, such as happened last year, when a country comes to us and offers to sell 500,000 tons of sugar for 500,000 tons of wheat. We end up buying 225,000 tons of sugar and sell no wheat. I think this is a rank example of not keeping faith with the taxpayers of the United States. If you or I or anyone else had someone who handled his business in such a way, you would immediately fire him.

I think that, Chairman JONES, of the Subcommittee on Departmental Oversight and Consumer Relations, did a fine job investigating this problem. It is one more reason why we should produce more sugar, as long as the State Department persists in buying sugar and not selling our surplus commodities.

Mr. BREEDING. Mr. Chairman, will the gentleman yield?

Mr. BEERMANN. I yield to the gentlemen from Kansas.

Mr. BREEDING. We have a piece here on page 9 in one paragraph that says:

In making the temporary allocations after 1963 to other nations, from the Cuban reserve quota, the Congress will review and take into consideration among other factors, the purchases by the various sugar-producing countries of agricultural commodities in the United States, and will give special consideration also to good-neighbor countries of the Western Hemisphere.

In the testimony before the committee, we had statements from the country of Brazil that has now reaped, we might say, 190,000 tons of quota and 150,000 tons of Cuban reserve. They would spend two-thirds of that money, if they received approximately 300,000 tons to 400,000 tons for wheat in this country. Do you think that the remarks here on page 9 cover the situation well enough so that we can expect these foreign countries to get this sugar money to buy agricultural products?

Mr. BEERMANN. I will say to the gentleman, I feel that the review annually by the Congress is somewhat of a redeeming factor. But when we have given in the legislation or in the statement last year, I believe it was, somewhat on the same basis, special consideration, and then the State Department said they did not feel that language was strong enough to make them decide that they had to make this trade, that this ought to be in the legislation and not just in the report—or in addition to the report.

This is a very light attempt for us to smooth that over, and I am afraid that the State Department will not read this and abide by it.

Mr. BREEDING. In your interpretation, do you not think that on the basis of what we heard in the committee, we need to require these countries to purchase that much of additional commodities from our country?

Mr. BEERMANN. I have said, I wish it had been in the bill or in the legislation.

The CHAIRMAN. The time of the gentleman has expired.

Mr. POAGE. Mr. Chairman, I yield 5 minutes to the gentleman from Louisiana [Mr. WILLIS].

Mr. WILLIS. Mr. Chairman, I am not a member of the Committee on Agriculture but all my life I have been involved in connection with most of the sugar problems. First, as a farmer—because I am a farmer—and then as a lawyer because I represented farmers and sugar mills, and for the last 14 years as a Member of this body.

My district produces more sugar than any other congressional district in the United States. I would like to say a few words about the so-called world price of sugar. That, to me, is one of the most elusive, misunderstood and confusing subjects that I know of.

One must have had experience with it to have at least a working knowledge of it. What is the world price when we come to sugar? It is this: If you will look at page 23 of the report, you will find that the world consumes about 57 million tons of sugar per year. By and large, sugar is produced where it is consumed. When you talk about the world price, you are talking roughly about 10 million tons of sugar. And by that 10 million tons of sugar I refer to the sugar that has no home; sugar that is not contracted for; sugar that floats around the world. Of that amount 5,000 tons are Cuban sugars, controlled by Communist countries, who are not interested in anything except to try to wreck our sugar industry.

You do not know exactly where this floating world sugar is at any particular time. You cannot really put your finger on it. But that 10 million pounds of sugar is referred to as the world-price sugar. The market price of that sugar is unstable, erratic, untrustworthy, volatile, and explosive. To permit the world price of sugar to control the price generally would be to permit the tail to wag the dog, and I will tell you why. We hear a great deal about why we do not buy our requirements on the basis of the world market but what would happen if overnight we were to say: "We do not want to pay that high price of sugar, we will buy it on the world market"? Immediately the world market would go up. I am telling you that history proves this. For example, during World War I we were on a world-price basis. During and after the World War I years we were

operating on world-price basis, grabbing helter-skelter, wherever we could get our requirements—if you will look at page 20 of the report you will see—when we were on that world market—we were paying over 26 cents a pound, back in 1918, 1919, and 1920.

But let me bring our world's price experience more closely to current events. For example, if you will look at page 20 of the report you will see what happened in the last few years. During the disturbed situation brought on by the so-called events in Hungary, 5 years ago, the price of this world market sugar doubled in 60 days just in 1957. There were disturbed conditions and the world price exceeded the domestic price. Any time you want to rely on the world price and make it known that you are going to rely on the competitive world price, that price exceeds the domestic price, and invariably as history proves, the price goes up.

On the other hand we went through World War II on the basis of the Sugar Act. We did not rely on the world price. If you will look at the report you will find that during the war years our market was more stable. We were paying for our sugar requirements from Cuba much less than the world market price. You see, this thing is a two-way street; whereas we give these quotas to certain countries, Cuba included, Cuba was obligated to deliver that sugar during World War II and we were actually paying much less to Cuba for our requirements than the world price, and Cuba was obligated to make the deliveries.

Mr. INOUYE. Mr. Chairman, will the gentleman yield?

Mr. WILLIS. I yield.

Mr. INOUYE. Is it not true that today the world market price which you say is somewhat unstable is less than the productive price and that no nation can produce sugar at less than the world market price?

Mr. WILLIS. The gentleman is absolutely correct. If you want to know our experience with the world market price take the case of coffee. I refer you to page 5 of the report. You will see the difference in stability between the sugar price and the coffee price. We buy coffee on the basis of the so-called world market that is unregulated and we pay through the nose. But the most important thing to me is this: What price is the housewife in the United States paying for sugar compared to elsewhere? If you do not believe me, look at page 21 of the committee report before you. The retail price of refined sugar, white sugar, which your wife and mine sweetens coffee and tea with and makes a cake now and then, is 10 cents a pound right now. What do they pay elsewhere? We are 5 cents below the median price in 121 nations around the globe. Go to Europe, France, Italy, and England, and you pay 15 cents a pound. We are paying 10 cents a pound. You go to Russia today, the last figure I have—I do not know what it is right now, and it was a guess at that time—and you will find the price is something like 60 cents a pound. So you see, when people want our sugar for a good price, they mean a stable price. When you say: "Let us forgetthe Sugar Act, let us go worldwide, let us buy our sugar on the world market," you had better realize what you are doing, because the 5,000 Cuban tons—controlled by Communists—will be manipulated either up or down to suit their and not our advantage.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Hawaii [Mr. INOUYE].

Mr. INOUYE. Mr. Chairman, I would like to continue the discussion just concluded by the distinguished gentleman from Louisiana, and point out that today approximately 10 million pounds of sugar constitutes what we might call the world market. Approximately one-half of that amount comes from countries controlled by Communist-bloc nations. History has shown that the Communist-bloc nations have no qualms about bringing about instability in sugar prices. It has been shown that the prices can be erratic. If our Nation should depend on the world price in setting up our national economy, as far as sugar is concerned, we would be headed for chaos. Although at the present time the world market price is theoretically less than the American price, it should be pointed out, as the gentleman from Louisiana stated, this is a two-way street. Sometimes the world market price exceeds the American price, and sometimes it is less than the American price.

Mr. KYL. Mr. Chairman, will the gentleman yield?

Mr. INOUYE. I yield to the gentleman from Iowa.

Mr. KYL. Understand, please, I am asking a question rather than arguing. Would this world price fluctuate as much and would it hold as great a potential danger for us if the producers of the United States were permitted to raise a much larger share of what we consume?

Mr. INOUYE. As I pointed out, sir, at the present time over 50 percent of the world market is controlled by the Communists. The Communist nations would be very happy to disrupt our market by maniplationg prices. For example, Cuba and Russia have a negotiated price which they consider a world price. If we were to set our price on the Cuban price, we would be headed for trouble.

Mr. KYL. Did I understand someone to say that we could produce all the sugar that is consumed in this country?

Mr. INOUYE. I presume it is not impossible.

Mr. KYL. Would this world price then be as significant a factor as the gentleman indicates if we could do that?

Mr. INOUYE. I would like to point out that the question has been asked, Why do we not produce all the sugar that we need in the United States? If you will look into the history of sugar, you will notice we had certain periods in our history when we were not able to produce sufficient sugar to meet our national needs. In World War II, Cuba was good enough to sell to us at less than the world price because of the negotiated price we entered into with Cuba.

During World War II, many of our sugar farmers answered the call to arms, some others answered the call to work in our defense factories. Therefore many of our sugar farms had to temporarily cease sugar production operations. We therefore had to depend on foreign suppliers.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. INOUYE. I yield to the gentleman from Iowa.

Mr. GROSS. I am glad to hear all the arguments for protectionism today. I will look forward with interest to the vote on the extension of the Trade Agreements Act, the free trade bill the administration proposes, when it comes up about a week from now.

Mrs. MAY. Mr. Chairman, will the gentleman yield?

Mr. INOUYE. I yield to the gentlewoman from Washington.

Mrs. MAY. I would like to go back to the remarks in the colloquy between the gentleman from Hawaii and the gentleman from Iowa. I would not like the record to leave the impression that during World War II the reason that our domestic sugarbeet producers shifted from sugar production, to other agricultural products, was purely because they could make more money. This would indicate we could not depend on them for a stable supply should war emergencies arise again, and that would be incorrect. Actually the testimony before our committee showed, the record shows, that in World War II our Government in its wisdom deliberately, raised supports on needed food items like beans to bring about this shift from sugarbeets to food that was more needed in World War II, because at that time we could depend on Cuba for a stable sugar supply. I would like the RECORD to show that this would not be the situation in future emergency periods or wartime because supply sources would be far different.

(Mrs. MAY asked and was given permission to revise and extend her remarks.)

Mr. HOEVEN. Mr. Chairman, I ask unanimous consent that the gentleman from South Dakota [Mr. BERRY] and the gentleman from Colorado [Mr. CHENOWETH] may extend their remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

There was no objection.

[Mr. BERRY'S remarks will appear hereafter in the Appendix.]

Mr. CHENOWETH. Mr. Chairman, I rise in support of H.R. 12154, a bill amending and extending the Sugar Act. This is a very important bill, and I recognize the necessity for prompt action. I hope that this bill can be passed and signed by the President before the deadline of June 30, when the present act expires.

I have been recommending that we produce more of our sugar requirements in this country. I am happy to note that this measure increases the quotas for domestic producers. I am particularly interested in the increase in the domestic beet sugar quota which is

raised from 2,110,627 tons to 2,650,000 tons. I am also happy to see the increase in the domestic cane quota. The total increase in our domestic quotas is 786,000 tons.

The beet sugar industry is one of our most important and valuable industries in Colorado. At one time Colorado produced more sugarbeets than any other State. We are still one of the largest producers of beet sugar and we are tremendously interested in this legislation.

I have two sugar processing plants in my district. The American Crystal Sugar Co. has a plant at Rocky Ford, and the National Sugar Manufacturing Co. has a factory at Sugar City. The economic stability of the Arkansas Valley in Colorado, where both of these plants are located, hinges largely upon the prosperity of the beet sugar industry. The beet pulp is used for large cattle feeding operations in this area.

I wish to state that the Holly Sugar Corp. has its headquarters and main office in Colorado Springs in my district. This company operates a plant at Delta, Colo., and other plants in California, Wyoming, and Montana.

I represent what is considered an old grower area. However, we recognize that farmers in new areas are anxious to grow sugarbeets and are seeking that which is in the national interest. The bill provides for new beet plants, one a year for 5 years.

Mr. Chairman, any sugar legislation is always complicated and this bill is no exception. However, I believe the committee has reported a good bill and one which we can support. It is impossible to pass a sugar bill which will please everyone, but I understand our domestic sugar industry including both cane and beet producers, is supporting this bill.

In my opinion the Sugar Act, originally passed in 1934, has been one of the most successful pieces of legislation ever approved by Congress. This bill will extend the present act and I feel improves the same.

Mr. Chairman, I am happy to give this bill my full support, and I hope it will pass.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. LANGEN].

(Mr. LANGEN asked and was given permission to revise and extend his remarks.)

Mr. LANGEN. Mr. Chairman, at long last we have a long-range sugar bill before us. However, in the 5 minutes that have been allocated to me, that is probably the only good thing that I am going to be able to say about the bill as it is before us at this time.

Mr. Chairman, I think there are two very disturbing factors that we must be cognizant of regarding the circumstances under which this legislation is before us. First, it is before us under a closed rule. Second, again we have the time element hanging over our heads, and as we have been told this afternoon, if you do not support this bill, you are going to be guilty of no sugar legislation being enacted this year.

I recognize, as does the chairman of the committee, that one of the reasons for this delay has been a lack of a report or a recommendation coming from the Department of Agriculture relative to sugar legislation, thereby delaying the point at which they could start consideration. This has come about in spite of constant requests and proddings on the part of people like myself and others who have participated in the discussion this afternoon. But, there were no recommendations forthcoming.

Now, why do I say the time element is important? I say it because it does not provide us sufficient time in which to discuss the matter thoroughly, and the closed rule does not permit us to do anything about it, even if we could. Now, the experience we have had in sugar legislation under the temporary extensions has not been too good. The bill before us does not improve it any.

Let me cite to you what I mean. I hold in my hand a report from the Department of Agriculture dated October 23, 1961. It is entitled "1961 Sugar Quotas and Authorizations, Nonpurchase Allocations." What does it show? It shows the domestic beet quota at 2,609,170 tons. This identifies the degree of increase that is in the bill before us specifically, just a trifle over 40,000 tons. It identifies each of the other quotas for mainland cane, for Hawaii, Puerto Rico, Virgin Islands; and all of the other quota countries.

But the unique part of it is this: When you get down to the other quota countries, what does it show? I use one country as an example, and I am not picking on this country, Peru. The quota is 121,507 tons. But what did we buy from them last year? We bought 636,377 tons, or four times as much as the quota that was allocated to them. The same is true with every quota country on this list.

Mr. Chairman, what does the bill do under those circumstances? It makes that kind of a situation even worse. But before getting into that, let me identify one thing, because there has been a big discussion here about what happened to the 3 million tons of Cuba's quota. Here on this same document from the Department of Agriculture there is shown that we bought 3,117,000 tons in this manner from foreign countries. There is where the Cuban quota is. This is where it was bought. There can be no question about it.

Mr. Chairman, what about the bill as it is presented to us? It does exactly the same thing. One will find the quota to Peru, the Dominican Republic, Mexico, Brazil, and all the rest of them increase substantially more than domestic beets or domestic cane increases. Were that the actual outcome of this, this would be one thing. But we already know that even though they have gotten these big increases, this is not what we are going to buy from them. We have already identified that in 1963—we are going to purchase anywhere from 100,000 to 150,000 tons more than this from each of these countries. We do not now what it will be in 1964, 1965, and so on. So, what is the meaning of these quotas? They are completely meaningless as far as quotas are concerned.

Looking at the new bill before us, we find the very same conditions to exist, only in a more pronounced and a more obvious manner. The bill provides substantially larger percentage increases for all of the foreign quota countries, and in addition, authorizes the 1½ million tons of the Cuban quota to be purchased from these same countries, at a range of from 100,000 to 150,000 tons during the year of 1963. Again, no consideration is given to the domestic beet producers.

Of just as great significance is the fact that the bill provides for domestic sugar producers to receive only 63 percent of increases in our own Nation's consumption. It is impossible to explain to anyone why 37 percent of our Nation's increased consumption should be allocated to foreign countries. Inasmuch as we as a nation are importing a big percentage of our sugar needs, while in other areas of agriculture we are plagued with surpluses, it seems something less than good commonsense to not provide for American agriculture the opportunity to at least expand their production commensurate with the rate of growth in our own consumption. Such a modest request, while still not providing equity, could not be considered by anyone to be anything but justified.

To aggravate this situation further, only last week this House passed legislation in a reclamation project that will provide for an expansion of 150,000 tons of sugarbeets in this project alone. This bill will not even accommodate that project without asking other areas to make reductions. This kind of disparity seems not only inappropriate but unfair, and is a factual indication of a need for more time in which to consider the matter. The experience of holding the time club over our heads, I suppose, serves the purpose of someone, but it does not serve the cause of the beet producers throughout the Nation. For these and other reasons, adequately identified in the additional views, by members of the Agriculture Committee, it is my opinion that the legislation as it is now before us leaves little or no opportunity of choice under a closed rule, and it is a sad thought, indeed, that the sugar growers throughout America should once again be short-changed in this manner because of delay on the part of the Department of Agriculture in making adequate recommendations in time, and in this manner make the time element and a closed rule the deciding factor of what the House does today.

Mr. HOEVEN. Mr. Chairman, I yield 5 minutes to the gentleman from Colorado [Mr. DOMINICK].

(Mr. DOMINICK asked and was given permission to revise and extend his remarks.)

Mr. DOMINICK. Mr. Chairman, I have taken this time to speak on this bill even though I am not a member of the committee, because of its importance and because the State of Colorado has been mentioned. My good friend, Mr. Frank Kemp has been mentioned. Of course, the State of Colorado itself probably produces more sugar from sugarbeets than any other State in the United

States, except California and we are tremendously interested in this bill. Great Western Sugar Co. is not only active in the State of Colorado and particularly in my district but in a number of other States. Holly Sugar Co. is very active in Colorado, in California and other areas. American Crystal Sugar Co. has its home office in Denver, and the only independent single plant company in the whole United States, National Sugar Manufacturing Co. operates in Congressman CHENOWETH's district and in Kansas.

Mr. Chairman, why do I bring this up? We have heard a lot of talk about what the industry has or has not done. I thought, perhaps, it was time to put into the RECORD what "the industry" means. Not only means the processing companies that are processing sugarbeets into sugar. It also means the domestic cane manufacturers of sugar in the Southern States; it means the beet growers of Colorado, California, Minnesota, and all the other places that have been mentioned. It means the cane growers in the Southern States. It also means the refiners on the eastern shores of this country, those people who are bringing in sugar from other areas in the world and processing it in this country, for sale in this country. One man, Mr. Kemp, president of Great Western Sugar Co., represented all branches of this great industry in an agreed statement to the Agriculture Committee. I have been closely in touch with sugar legislation for over 12 years, and I can tell you that there is no more competitive industry anywhere in the world. Every single segment of it has a different viewpoint, different angles, and different interests. Any time anyone can get an industry encompassing that many interests working together for a single position to get over a bill which will give them the stability upon which they can build from year to year means that we have got something good, that true statesmanship in the sugar field has been exercised, a program proposed which should be passed by this Congress.

Having said that, I also want to emphasize that it is obviously necessary to compromise in order to get any agreed program with such diverse competitive interests involved. We in Congress are not satisfied with all provisions. Some in the beet sugar industry are not satisfied. I am sure there are some in the domestic cane industry who are not satisfied with it. I would suspect that the Hawaiian Islands are satisfied with it only because they are growing so fast that they really do not have very much more room to grow any more cane sugar there, anyhow. There are in fact, very few people who are going to be completely satisfied with all provisions. But if you have an industry as a whole that says, "Give us this bill so that we can have a stable program for a period of 5 years on which we can build and not be caught in a simple 9-month extension or 15-month extension, as we have been for the last 5 years," then it seems to me that it is up to this Congress to go ahead and pass it.

There is one provision that I think should have been included. That is the provision which would have given preference to those foreign countries which sell sugar to us where they would agree to use the dollars created by this activity to buy wheat and other surplus commodities from this country. At the very least, this provision could have been included in reallocating deficits in quotas assigned to foreign countries under the act. I think such a provision could help our agricultural surplus situation as well as give an opportunity for us to create more markets in those areas for the sale of agricultural commodities which are presently in surplus.

Mr. Chairman, in conclusion, I want to add this in support of the amendment of the gentleman from Kansas [Mr. DOLE]. I think this is one provision we can truthfully say has not been considered and has not been put in with the consent of the industry. I think it can truthfully be said that we are injecting into the sugar bill, which is beneficial to the entire industry, a provision for a give away of $22 million of taxpayer funds which in fact represent a private relief bill for certain indicated companies. It has been said that this is a moral obligation that we should give this money away, but there have been no hearings before the Judiciary Committee which generally considers an "equity" bill of this kind. Only the proponents of the bill were heard by the Agricultural Committee. The other side of the question has not been even presented. And while we in Congress are doing this, the United States is defending a lawsuit in the same amount of money in the Court of Claims. It strikes me that Congress would be making a real mistake legally and judicially to interfere in the middle of a court suit that is now going on, whether the United States is right or wrong in the defense of that suit. If the companies lose their suit and the State Department says that Congress should do something about the claim, then is the time for introduction of a relief bill for full consideration by the proper committee.

Mr. COOLEY. Mr. Chairman, I yield 3 minutes to the gentleman from Louisiana [Mr. MCSWEEN].

Mr. MCSWEEN. Mr. Chairman, there has been some concern expressed here and disappointment about the production that American farmers would have under this proposal. I am likewise disappointed to some extent. I share the general view that has been expressed in that regard.

I am sympathetic with the problems of those who would like to have additional sugar acreage or new sugar acreage for the first time. However, I think it should be said that this is a complicated piece of legislation that is really a balance between producers and consumers. As you will note when an amendment is offered later in this proceeding, consumers have shown a great deal of concern about the cost of sugar. This is why it has never been possible for the domestic industry to produce all of our sugar needs.

I think it was a remarkable show of statesmanship that the domestic industry became united after months of give and take and hard work, and came united to the Congress and to the executive branch with the request for this sugar legislation. There is minimum dissent to the domestic sugar industry's position. I think we are fortunate that this is an industry that can come to the Congress and say: "Here is what we would like to have. We are all in general agreement."

Mr. Chairman, I hope that all will see fit to support this legislation.

(Mr. MCSWEEN asked and was given permission to revise and extend his remarks.)

Mr. COOLEY. Mr. Chairman, I yield 4 minutes to the gentleman from Florida [Mr. MATTHEWS].

Mr. MATTHEWS. Mr. Chairman, I rise in support of the Sugar Act Amendments of 1962. Although I do not have in my district commercial production of sugarcane for refining into the final product of sugar, there is a tremendous amount of this production in the southern part of our great State of Florida, and naturally all of Florida is interested in making it possible for our commercial sugarcane industry to expand with the other domestic areas in America. I wish to pay tribute to the agricultural leaders of Florida, and their activities coordinated by our able and energetic commissioner of agriculture, the Honorable Doyle Conner, for the spadework they did in presenting the facts of our sugarcane industry in Florida to the appropriate Government agencies and to the appropriate committees of Congress.

I think it would be of interest to point out the part American agriculture plays in international trade as evidenced by the Sugar Act.

American farmers have the potential of producing all of the sugar that we need for our domestic consumption. However, it is realized that friendly nations, if we expect them to trade with us, must have the capacity to earn dollars to buy our products. So it is then, Mr. Chairman, that through the years, the domestic producers of sugar beets and sugar cane have been given a quota, and the remainder of our sugar consumption in America has gone to foreign nations. These countries, in turn, with the money that they have made by selling us sugar have bought hundreds of millions of dollars worth of our industrial products and agricultural products. I was very much impressed as I heard the testimony on this legislation to learn of the tremendous social progress that has been made in the various nations throughout the world as a result of this sugar program. I feel that if Congress and the executive branch of the Government keep a close scrutiny of this sugar program, that especially in the Latin American countries, many of the objectives in President Kennedy's Alianza para Progreso can be achieved through the continuation and strengthening of this sugar program. I think we can say that there is almost a definite pattern, especially in the Latin American countries, of the pro-

ceeds from sugar sales in America being used to improve the lot of the workers in all of the various segments of the sugar industry in these various countries.

Mr. Chairman, our Committee on Agriculture felt that the committee should report a bill to the House which would set specific quotas for imports of foreign sugar so that we could better be assured that we were helping friendly nations, and that they, in turn, would recognize that this is a matter of reciprocal opportunity. Ten years ago when I made my first race for Congress, insofar as foreign aid is concerned, I said that I believed in helping friendly nations help themselves, to the extent of our financial ability. I do not believe our sugar program should be used to give comfort to unfriendly nations. And in the Sugar Act amendments, we have provided that any nation or political subdivision thereof which hereafter unlawfully expropriates American-owned property or otherwise seriously discriminates against such property and fails to take remedial action within a reasonable time, will have its quota, proration or authorization to import sugar suspended if the President finds such action to be in the national interest. I think it is well that Congress continues to keep a close supervision of the sugar quotas to foreign countries to be assured that this great program is helpful to the best interests of America.

Mr. Chairman, in several days we are going to debate in the House the so-called omnibus agricultural bill. There will be many Members of Congress who will gladly vote for this sugar bill when they will oppose the omnibus agricultural bill on the basis that it gives the Secretary of Agriculture too much authority. As a gentle reminder, let me point out that in the Sugar Act we are now discussing, title II of the act, called "Quota Provisions," requires the Secretary of Agriculture to determine how much sugar will be needed to fill U.S. requirements during each calendar year. The Secretary must make his determination in December for the following year, but he may revise it up or down during the year if the needs change. Now remember that this sugar determination establishes the quantity of sugar in short tons, raw value, that may be marketed in the United States during the year under consideration. In making this initial estimate, the Secretary uses as a starting point, the quantity of sugar distributed during the 12-month period, ended October 31, next preceding the calendar year for which the determination is being made. Then he must make allowances for deficiencies or surpluses in the Nation's sugar inventories and for changes in consumption caused by changes in population and demand conditions. When the Secretary has arrived at a tentative figure, using the standards outlined above, he must then consider the price that this quantity of sugar would likely bring on a wholesale refined basis. If the estimated sugar price will be excessive to consumers, or too low to protect the welfare of the domestic industry, the Secretary is authorized to increase or decrease the determination of the quantity of sugar that may be marketed to achieve a fair and reasonable price. The Secretary must also determine requirements for local consumption in Hawaii and Puerto Rico so that the general price and marketing objectives will be the same in all American markets.

I emphasize the power of the Secretary of Agriculture in the Sugar Act, Mr. Chairman, to suggest that it would seem that many of our colleagues now are delighted to have their farmers placed in a straitjacket as far as regulations of the Sugar Act are concerned, and as far as the power of the Secretary of Agriculture over the individual producer is concerned. About 45,000 domestic farms grow cane or beets. About 220,000 farmworkers are required, mostly on a seasonal basis, to cultivate and harvest the cane and beets. During the early years of this decade, about 300,000 farmworkers were required. In the domestic area, 64 beet-sugar factories, 108 cane-sugar mills, and 33 refineries were in operation in 1958. Thirteen of the latter were operated as part of or in connection with cane-sugar mills. These establishments represent an investment in land, plant, and equipment of approximately two-thirds of a billion dollars. Approximately 63,000 workers are employed in the plants.

I have heard no objections at all about these workers in the factories and on the farms being placed in straitjackets because of the power of the Secretary of Agriculture. The only chief criticism I have heard from the domestic areas is that the program is not extended and made possible for new areas that want to participate, so I would assume the chief complaint is that there are not enough straitjackets to go around.

I want to remind the House that we are going to have up soon the omnibus agriculture bill, H.R. 11222, and you are going to hear a lot about straitjackets in the debate on that bill. I close with this poem, with apologies to the great poets who have preceded me:

The Congressmen are fussing on Capitol Hill,
They are debating the merits of the sugar bill.
Fine men and women, tried and true,
Beg for more sugar 'til their faces are blue.
They'll give Mr. Freeman all the power in the land,
Put their farmers in straitjackets, with a loving hand.
What would be their attitude if we evened up the score
And call this bill 11222 instead of 12154?

I think, Mr. Chairman, the Sugar Act has been successful from the standpoint of its three objectives: To make possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; to assure U.S. consumers of a plentiful and stable supply of sugar at reasonable prices; and to permit nearby friendly foreign countries to participate equitably in supplying the U.S. sugar market for the double purpose of expanding nationl trade and assuring a stable and adequate supply of sugar. The Sugar Act has been successful in obtaining all three of these objectives. I think it also has opened the door for new opportunities for thousands of American farmers and American working men and women. It is, then, because of these successes that I am supporting this important legislation.

Mr. COOLEY. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. POAGE].

(Mr. POAGE asked and was given permission to revise and extend his remarks.)

Mr. POAGE. Mr. Chairman, it will be noted that the authority to sell the 1,500,000 tons of sugar which is by this act allocated to Cuba is suspended until such time as Cuba shall come into diplomatic relations with the United States. Of course, this means that we will buy no sugar from Cuba so long as she remains under the control of the present or of any other Communist regime. We do not know how long Cuba will stay outside the fellowship of the Western democracies. She may not return during the term of this act. We hope she will, and we provide in this bill that when she does she will be entitled to a very large allocation of sugar—not so large as she once held but larger than the allocation granted to any other country in the world. This should certainly stand as a continuing inducement to Cuba to return to the ranks of free nations. At the same time, the overall reduction we have made in her quota should be abundant proof that the United States does not intend to ever force Cuba into any one-crop economy, as Mr. Castro has complained. I believe that the committee has dealt both wisely and generously with Cuba.

What arrangements have we made in the bill for foreign countries to sell us the 1,500,000 tons of the Cuban allocation which we are going to need on a temporary basis? You will note that we have authorized the purchase of 150,000 tons each from the Philippines, Peru, Dominican Republic, Mexico, Brazil, the British West Indies, Australia, and the Republic of China, and then authorized the purchase of 100,000 tons each from India, South Africa, and Maritius. These are all large producers of sugar. The committee deliberately and purposely authorized no temporary purchases from the small producers.

Our reasoning was that to give a small country which produces, let us say, no more than 20,000 tons of sugar the right to sell half of that 20,000 tons in the United States for a limited period of time would be a serious mistake. The 10,000 tons would, of course, be an extremely minor matter from the standpoint of supplying our needs, but it could become an extremely important factor in the economy of that small country. When this right of sale was ended, with the restoration of free government in Cuba, the impact on the limited economy of any small country might be so great that it might completely wreck the supplying country. Even if it did not, there would undoubtedly be an adequate supply of Communists available to tell the people how the United States has mistreated them.

The committee had several examples of the very natural tendency of these small countries to feel that any temporary sales should be made permanent. As an illustration, someone completely misrepresented the purport of a news conference given by our Ambassador in Guatemala. While the Ambassador only said that he could not tell what sugar sales might be available to Guatemala in the future, as the matter was pending before the Congress, the Guatemalan press interpreted this to mean that the United States would buy no more sugar from Guatemala and immediately stated that we were deliberately seeking to wreck Guatemalan economy. A delegation from the Guatemalan Congress was here about 2 weeks ago, yet Guatemala had no quota and never has had. She had been allowed to sell the United States 18,000 tons of sugar last year. All of this tonnage came from the Cuban quota. Incidentally, this bill allocates 20,000 tons to Guatemala on a permanent basis. In like manner, it makes an allocation of some 10,000 or more tons to every one of the Latin American countries who asked for a sugar allocation and to every one of our suppliers in the Pacific.

We believe that these permanent allocations can be of tremendous benefit to these smaller countries. It becomes something on which the small nation can depend and on which it can build its economy. But we think there should be a clearcut distinction between permanent allocations and the temporary right to sell sugar. We have, therefore, tried to confine these temporary rights to those nations who produce enough sugar that it is possible for them to supply on a temporary basis a rather large amount of sugar without disrupting their economy or without inducing them to increase their plantings to a level which would be unneeded after we cease to make these temporary purchases.

Finally, I want to comment on the authorization of purchases from these temporary suppliers, and I make these comments specifically for the purpose of the record that all of the world, and particularly the supplying nations involved, may understand that the House Committee on Agriculture, and the House of Representatives, if we pass this bill, intend that these 11 nations which are given authority to make advantageous sales of their sugar in the United States are expected in return to provide a substantial dollar market for the agricultural products of the United States.

Obviously, it would be possible, although not very practical, to produce all of the sugar we need in the United States at home. American farmers could supply the needed 10 million tons, but to do it they would have to receive a great deal higher price than is provided under the terms of this bill, or the Government would have to pay a great deal more subsidy. Certainly, we need to put our land to the production of everything that we can profitably grow at home. Therefore, if we are going to allow foreigners to sell us sugar which we could produce should we not require them to buy other agricultural products from the United States and thus avoid any overall reduction of American agriculture? Should we not encourage the production of the commodities which we can produce efficiently? At the same time should we not enable the American consumer to buy sugar at a lower price than would be available were we growing all of our sugar at home? The committee thinks we should do all of these things, and certainly some of the prospective suppliers agree that we should as several of them have heretofore offered to invest the total proceeds of their sale of sugar into this market in the purchase of surplus agricultural commodities.

Unfortunately, our State Department gives the impression that it wants to keep any foreigner from spending dollars in the United States if it is possible to do so and apparently that Department advised Brazil, at least, last year, that they need not spend the proceeds of her substantial sugar sales in the United States. The committee feels that this was a serious mistake.

At first, we sought to write into the bill specific provisions requiring each country which sold sugar to the United States on a temporary basis to spend the proceeds from the sale of such sugar in the purchase of surplus commodities from the Commodity Credit Corporation of the Department of Agriculture. Of course, we contemplated requiring that such sales be in addition to normal commerical transactions, and that such countries would commit themselves not to tranship or substitute these additional American commodities for homegrown commodities, but we recognize the extreme difficulty in enforcing such regulations and we further recognize that such regulations, when evaded, and they probably would be evaded, would result in a breakdown of the world market of all commodities.

Rather than risk such a breakdown, the committee felt that we should authorize these purchases for a 1-year period only, with a clear understanding that next year the committee will review the actions of the supplying countries and will then extend authorizations only to those nations which have in good faith made substantial purchases of American goods, preferably of surplus agricultural commodities for dollars. In other words, next year the committee is going to determine whether these countries have actually used the extra dollars they have earned to buy additional American agricultural commodities. If they have, we intend to reward such countries with a renewal of the right to sell sugar in this market. If they have not thus used the money, or if they have transshipped the commodities, it is frankly the purpose of our committee to eliminate such supplying countries from this temporary market.

I hope there may be no misunderstanding on this point. I hope that no administrative official, and no representative of any foreign country may contend that they did not understand the intent of Congress.

Mrs. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentlewoman from Illinois.

Mrs. CHURCH. I am, of course, not a member of the gentleman's effective committee, but I would most respectfully say to him that in voting for the bill today I am not permitting myself to be committed to the terms of the statement just made for the first time at the end of a 3-hour debate.

There is a question not only of foreign policy involved in the dictum which the gentleman has set forth, but also a question of other industries in the United States, for instance, on which the dollars to be acquired through the sale of sugar might be spent most usefully. My point, however, is that this particular matter should most certainly have been brought to our attention before the close of the debate so that every Member might have had a chance to express his opinion.

Some of the dollars to be provided through the purchase of sugar by the United States could indeed be used to lighten the obligations of this country in meeting certain requirements now provided under the foreign aid bill.

Mr. POAGE. I thank the gentlewoman for her statement, but I do want to call attention to the fact that the statement I have here is what the Agriculture Committee intends. This is what we expect you to vote for if you vote for this bill. I would say to the foreign nations that they might rely on this statement, much as I regret the gentlewoman from Illinois will not be with us next year and will not vote on next year's bill.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. COOLEY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. POAGE. Mr. Chairman, if there is anyone in our committee who feels I am misrepresenting this matter, I wish they would make that known now.

Mr. DOLE. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Kansas.

Mr. DOLE. Mr. Chairman, I may say to the gentleman from Texas I agree with him. In fact, we discussed this matter and the record should be made on it with reference to speculating in reference to these surpluses. We thought that here is a chance to do something about that. The former distinguished chairman of the committee, Mr. Hope, testified before the committee and suggested that perhaps we should have specific language. We are not clubbing any of the countries into doing anything. Most of these countries have expressed a desire to do so. I feel it is necessary that this be in the record for the State Department and the Department of Agriculture so that there is no chance of misunderstanding.

Mr. POAGE. We are going to look at it next year.

Mr. BREEDING. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Kansas.

Mr. BREEDING. I, too, want to join in the remarks made by the distinguished gentleman from Texas, and say that we did discuss this in the committee, and I do not know any member of the committee who did not agree with what the gentleman has just stated.

I also want to make the further statement I believe the 11 nations he is referring to have all agreed in their testimony before our committee to do this very thing that he has suggested; that is, to spend this sugar money for agricultural products from our country. I want to compliment the gentleman for his remarks and associate myself with him.

Mr. QUIE. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Minnesota.

Mr. QUIE. Mr. Chairman, I am opposed to this bill, but on the point that the gentleman from Texas has just expressed himself on, I am in full accord with the thought he has suggested. It is not this that I oppose the bill for, but other reasons. I too want those nations to buy our agricultural commodities.

Mr. HOEVEN. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Iowa.

Mr. HOEVEN. I think the gentleman has correctly expressed the intention of the Committee on Agriculture, and I concur in the statement he is making.

Mr. POAGE. I thank the gentleman. I hope there is no misunderstanding on this point. I hope no administrative official and no representative of any foreign country may contend that they did not understand the will of Congress in this respect.

Mr. COOLEY. Mr. Chairman, I have no further requests for time.

Mr. ULLMAN. Mr. Chairman, I wish to commend the House Agriculture Committee for its extensive and careful consideration of the Sugar Act Amendments of 1962 now before us.

This highly complex problem has aroused considerable controversy and I feel the committee generally has done a commendable job. In the case of Brazil, I had hoped that the committee might accept the broad proposal made by the Brazilian Government. I feel that the 340,000-ton quota allotted to that country will at least make a creditable showing in the improvement of our trade relations with this important hemispheric neighbor.

I hope that the other Latin American quotas will be used in a similar way in order that these nations may build their reserves of dollars with which they may purchase American agricultural and other commodities.

Under the Brazil agreement, the 340,000-ton sugar quota will be translated into purchases of wheat and other commodities here. Under the formula, Brazil, in return for this quota, will purchase 13,800,000 bushels of wheat, which amounts to approximately half of the total Oregon production.

This is the kind of forward-looking program that is most effective in cementing relations with our Latin American neighbors, since it goes to the heart of the problem by providing them with hard-to-get dollars which will enable them to purchase U.S. farm commodities.

The bill also provides expanded U.S. acreage, which is most essential to the sugarbeet producers in our Western States. Many of us here feel that the American producers should be allowed to produce a greater share of the U.S. sugar requirement. The present sugarbeet production is 2,110,627 short tons. This bill recommends 2,650,000 short tons, an increase of more than 500,000 tons.

There are obviously many compromises included in this legislation. I would hope that in the future a more detailed study might be given to the world's sugar production problems.

Mr. HOEVEN. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Ninety Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 116]

Adair	Finnegan	Moorhead, Pa.
Addonizio	Fino	Moulder
Alford	Flood	Multer
Alger	Flynt	Nedzi
Andersen, Minn.	Fogarty	Nix
	Frazier	Norrell
Anfuso	Frelinghuysen	Nygaard
Ashley	Friedel	Osmers
Ashmore	Garland	Pilcher
Auchincloss	Gilbert	Pillion
Ayres	Glenn	Powell
Barrett	Gonzalez	Rains
Barry	Granahan	Reifel
Bass, N.H.	Gray	Riley
Bass, Tenn.	Green, Pa.	River, S.C.
Bates	Hagan, Ga.	Roberts, Ala.
Bennett, Mich.	Halleck	Robison
Blitch	Halpern	Rooney
Boland	Harding	Roosevelt
Bolling	Harrison, Va.	Rosenthal
Bonner	Harsha	Roudebush
Bow	Harvey, Ind.	St. George
Boykin	Healey	Santangelo
Brademas	Hoffman, Ill.	Saund
Bray	Hoffman, Mich.	Schenck
Brewster	Holifield	Scherer
Bromwell	Holland	Scranton
Bruce	Horan	Selden
Buckley	Ichord, Mo.	Sibal
Cahill	Jarman	Siler
Casey	Joelson	Slack
Celler	Jones, Ala.	Smith, Miss.
Chiperfield	Judd	Smith, Va.
Clancy	Karth	Spence
Coad	Kearns	Stubblefield
Conte	Kee	Taylor
Cook	King, Calif.	Teague, Tex.
Curtis, Mass.	King, Utah	Thompson, La.
Curtis, Mo.	Kitchin	Thompson, N.J.
Daddario	Kluczynski	Thompson, Tex.
Davis, James C.	Kowalski	Tupper
	Laird	Vanik
Dawson	Landrum	Van Zandt
Dent	Lankford	Vinson
Diggs	Loser	Wallhauser
Donohue	McDonough	Westland
Dooley	McDowell	Whalley
Dowdy	Marshall	Wharton
Downing	Martin, Nebr.	Whitener
Dwyer	Mason	Whitten
Evins	Mathias	Wilson, Calif.
Fallon	Merrow	Wilson, Ind.
Farbstein	Miller, Clem	Yates
Fascell	Miller, N.Y.	Zelenko
Fenton	Monagan	

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. DAVIS of Tennessee, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill, H.R. 12154, and finding itself without a quorum, he had directed the roll to be called, when 273 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. Does the gentleman from North Carolina seek to yield additional time?

Mr. COOLEY. No, Mr. Chairman.

The CHAIRMAN. Does the gentleman from Iowa [Mr. HOEVEN] intend to use his remaining 1 minute?

Mr. HOEVEN. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. All time has expired.

Under the rule, the bill is considered as having been read for amendment.

(The bill is as follows:)

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: By striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture. In order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a)(1) for domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

Short tons, raw value

"Area	*Short tons raw value*
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas;

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided*, That in no event shal the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

"(b) for the Republic of the Philippines, in the amount of one million and fifty thousand short tons raw value of sugar.

"(c)(1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

"(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

"(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less six hundred and sixty-seven short tons, raw value, for 1962 and less thirteen hundred and thirty-two short tons, raw value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

"Country	*Per centum*
Cuba	52.84
Peru	7.04
Dominican Republic	7.04
Mexico	7.04
Brazil	6.69
British West Indies	3.52
Australia	1.76
Republic of China	1.58
French West Indies	1.41
Colombia	1.23
Nicaragua	1.06
Costa Rica	1.06
India	1.06
Ecuador	1.06
Haiti	0.88
Guatemala	0.70
Argentina	0.70
South Africa	0.70
Panama	0.53
El Salvador	0.35
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35
Mauritius	0.35

"(B) for the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph, shall be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. For the period ending December 31, 1962, and for the calendar year 1963 any such quantity as is authorized for purchase and importation under this paragraph (4) shall be allocated on the following basis:

"(i)

"Country	*Per centum*
Republic of the Philippines	10
Peru	10
Dominican Republic	10
Mexico	10
Brazil	10
British West Indies	10
Australia	10
Republic of China	10
India	6.67
South Africa	6.67
Mauritius	6.66

"(ii) the Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production of sugar, and other pertinent factors, countries with purchase authorizations under subparagraph (i) of this subsection will fill them at such times as will meet the sugar requirements of consumers. If the Secretary determines that any country will not so fill its purchase authorization at such time as will meet the sugar requirements of consumers, he shall cancel it to the extent that he determines it will not be so filled, and he shall authorize for purchase and importation into the United States a quantity of sugar equal to the amount of the purchase authorization so canceled by revising the authorizations for purchase and importation from the other foreign countries named in subparagraph (i) of this subsection by prorating such quantity among them. If the Secretary determines that any such country is unable to fill its revised authorization at such times as will meet the sugar requirements of consumers, he shall authorize the purchase and importation of such unfilled quantity from such foreign countries as he determines will meet the sugar requirements of consumers.

"(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States;

"(6) sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar;

"(d) whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the qouta or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

"(e) if a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

"(f) the quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prora-

tions for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided,* That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determined is required to fill any such deficit: *Provided,* That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately following the words "sugarbeets or sugarcane" the following language ", limited in any year when proportionate shares were in effect to processings".

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided,* That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided,* That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

"(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 8. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic

beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b)."

SEC. 12. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a), whichever procedure is applicable.

"(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable."

SEC. 13. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "June 30" and inserting in lieu thereof "December 31" and by striking out "1962" in each place it appears therein and inserting in lieu thereof "1966".

SEC. 14. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 15. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" in each place is appears therein and inserting in lieu thereof "June 30, 1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" and inserting in lieu thereof "June 30, 1967" and by striking out "March 31, 1963" and inserting in lieu thereof "September 30, 1967".

SEC. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 shall become effective upon the date stated in regulations implementing such section and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

SEC. 18. There is hereby authorized to be appropriated to the President an amount equivalent to all sums collected through special fees on nonquota purchase sugar imported from the Dominican Republic between September 26, 1960, and March 31, 1961, and deposited in the United States Treasury, which sums the President shall return to the Government of the Dominican Republic at such time as (1) the President has been notified by the Government of the Dominican Republic that all privately owned sugar companies which paid any such fees have entered into an agreement with the Government of the Dominican Republic to receive in Dominican currency their shares of such fees, after payments of Dominican taxes and amounts due colonos, and to utilize such net amounts in a manner designed to further the economic or social development of the Dominican Republic; and (2) the President has been advised by the Department of Justice that it has received assurance from the persons paying such fees that all present or potential claims against the United States based on the payment of such fees are thereby satisfied with no further liability to the United States.

The CHAIRMAN. No amendments are in order to the bill except amendments offered by direction of the Committee on Agriculture; an amendment to page 2, line 17; and an amendment to page 25, lines 3 to 23, inclusive, to strike out section 18. The said amendments shall not be subject to amendment.

Are there any committee amendments?

Mr. COOLEY. There are no committee amendments, Mr. Chairman.

The CHAIRMAN. For what purpose does the gentleman from Mississippi rise?

Mr. ABERNETHY. I have an amendment at the desk, Mr. Chairman.

The CHAIRMAN. Does it conform to the terms of the rule?

Mr. ABERNETHY. In my interpretation it does, Mr. Chairman.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amendment offered by Mr. ABERNETHY: On line 17, of page 2, strike the period and insert the following: "*Provided, however,* That the total amount of sugar needed to meet requirements of consumers in the continental United States shall not be less than the amount required after allowances for normal carryover, to give consumers of the continental United States a per capita consumption of 100 pounds."

The CHAIRMAN. The gentleman from Mississippi is recognized for 5 minutes in support of his amendment.

Mr. ABERNETHY. Mr. Chairman, the so-called sugar bill has been before the House on many occasions during my 20 years' service here. I have supported it upon each occasion; I intend to support it today whether this amendment is adopted or not. The Sugar Act has proved to be a profitable and beneficial piece of legislation to the sugarbeet and cane farmers of America as well as to the domestic sugar industry. The only real weakness in the act and this bill is that it does not assure an adequate supply. At least, it is not always administered in such a manner. This is the weakness my amendment seeks to cure.

If there are those here, and I am sure there are, who purchase sugar, who have a constituency which purchases sugar, I think you will be interested in this amendment and my remarks. The report on page 1 states that one of the objectives of the act is to "assure consumers a plentiful supply of sugar." It is my position, Mr. Chairman, that the act as presently written, and certainly as administered, does not at all times throughout each full year of operation assure consumers a plentiful or even an adequate supply.

On many many occasions since 1948 a national quota has been announced which was far below national consumption. True the quotas have been subsequently raised but there has been no positive assurance that such would be forthcoming. Therefore, there have been occasions, many occasions Mr. Chairman, when consumers of sugar found themselves wondering and waiting for enlargement of the quota.

The Sugar Act of 1937 provided that there should always be a quantity of sugar available to consumers equivalent to the per capita consumption times the population. But in 1948 whether inadvertently, intentionally, or otherwise, that language disappeared from the renewal legislation. Therefore, since 1948 the Secretary has had the power to fix the national sugar quota at such level or levels as he determines to be adequate. Since that date the quota has not been fixed at a level determined by the Congress, that is, at a level equivalent to the per capita consumption times the population. Unless it is fixed at such a level then it cannot be said that the act assures either a plentiful or adequate supply.

The only means by which you can assure your constituencies of such is to adopt this amendment.

Mr. BOGGS. What about cotton?

Mr. ABERNETHY. I will answer the gentleman. The gentleman asked about cotton. The Secretary is required to fix a national quota equivalent to the domestic consumption plus a reasonable carryover, plus export, and he does not change it. He fixes it. It has never been changed a number of times during the year as has the national sugar quota. And there has never been a single instance in which a shortage of cotton either appeared or was threatened. But as to the national sugar quota, Mr. Chairman, there has been change after change, every year since 1948. More often the announced quota is fixed at a low figure with each subsequent announcement authorizing a raise over the previous announcement. This practice creates artificial shortages. It leaves the users of sugar in a state of suspense, wondering if there will be another announcement and, if so, what will it be?

Mr. Chairman, the average per capita consumption of sugar in the United States for the past 10 years is 103.6 pounds. If we did what we ought to do, this amendment would read that the per capita quota shall be fixed at not less than 103 pounds, or thereabout. The 10-year history of per capita consumption would justify such.

I only ask you today to fix the minimum at 100 pounds, which is 3.6 pounds less than the national average for the past years. What could be more fair? What could be more reasonable. It is 3½ pounds under the normal consumption, it is 3½ pounds less than each of your constituents use today. I say, just guarantee to the American people that they will have a minimum of 100 pounds—hardly an adequate supply and indeed not a plentiful supply.

In not 1 year during the past 10 has the per capita consumption been below 101 pounds. For 2 of the last 10 it has been as high as 106 pounds, for 1 year as high as 105, for 2 at 104, 1 at 103, and 2 at 102 pounds. All I ask is that you write a floor under the quota so as to guarantee that no announcement will be made at less than 100 pounds per capita.

This amendment appears to be fair to producers, processors, and, in fact, to all segments of the industry as well as consumers. I commend it to your consideration and approval.

(Mr. ABERNETHY asked and was given permission to revise and extend his remarks.)

Mr. COOLEY. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Mississippi. I am going to make only one statement, then I will yield.

May I say that this amendment was considered in the committee and defeated by a vote of better than 2 to 1. It is opposed by the entire domestic industry as well as by the Director of the Sugar Division, who is charged with the responsibility of administering this program.

Mr. Lawrence Myers, the Director of the Sugar Division, USDA, who has done an excellent job for many years and has proved himself to be a very worthy administrator, believes that he must have flexibility if he is to protect the interests of both producers and consumers.

Mr. Chairman, the committee gave careful consideration to the proposal to require that the Secretary of Agriculture, in determining requirements under section 201 of the act, should provide for at least a minimum specified per capita supply.

Two minimum per capita supplies were considered, the 1957 to 1985 average consumption of 102.9 pounds per capita and the round figure of 100 pounds per capita.

Any such provision tends to reduce the effectiveness of the Sugar Act as a price supporting measure. Obviously, the Secretary of Agriculture must supply consumers the quantity of sugar they demand at fair prices and he has always done so.

In order to support prices the Secretary must have authority to cut supplies at times during the year when demand is temporarily poor or when marketings are temporarily in excess of requirements. In the past marketings have usually been high in the early months of the year when the Caribbean areas were harvesting and before our own existing domestic demand is strengthened by the heavy summer consuming requirements.

Although the average consumption for the years 1957 and 1958 was moderate, it has been necessary for price supporting purposes to reduce supplies below that per capita level at some time during 11 of the past 15 years. To make it clear that this is not a one-way street, it should be observed also that supplies have been established at higher per capita levels at some time during 10 of the past 15 years. This flexibility is necessary to protect the interests of both producers and consumers.

The requirement that supplies could not be less than 100 pounds per capita would have had no effect during the past 6 years from 1957 to date when supply uncertainties have made refiners and others wish to keep adequate supplies on hand. However, it would have limited the ability of the Secretary of Agriculture to support prices in 8 of the 9 years from 1948 to 1956, inclusive. In all of these years except 1951, during the height of the Korean fighting, it was necessary at some time during the year to restrict supplies below the 100-pound per capita level.

If, during the life of this extension, sugar supplies could again be assured to refiners and industrial users, it is possible that demand again might sink temporarily below the 100-pound level at some time during the year even though total consumption for the year would significantly exceed 100 pounds per capita.

Mr. HOEVEN. Mr. Chairman, may I ask whether or not the rights of the minority are going to be recognized. May I ask if the Chairman will yield to the gentlewoman from Washington?

Mr. COOLEY. I do not think I can yield to the gentleman and have him yield to the gentlewoman from Washington and meet the parliamentary requirements of this Chamber. I shall yield to the gentleman, then I will yield to the gentlewoman from Washington.

Mrs. MAY. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentlewoman from Washington.

Mrs. MAY. Mr. Chairman, I would like to speak on behalf of the minority members of the committee and verify what our distinguished chairman of the Committee on Agriculture has said. We thoroughly discussed this amendment in committee, and it was resoundingly defeated for a number of excellent reasons. I only wish time would permit me to go into many of the sound reasons why it should be defeated. The record shows we have had stability of the sugar price and the Department's consumption figures have been maintained over the years in a very stable and fair way. I do wish to say that I certainly strenuously oppose this amendment because of the conceivable harm it could do to the American sugar producers, the very ones we are trying to help. I assure you a great many people would have to withdraw their support of this bill if the amendment were adopted. The price of sugar to the housewife consumer would not be lowered if this amendment were adopted, but the fair price to the producer certainly could be lowered under it.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Louisiana.

Mr. BOGGS. Mr. Chairman, I was interested in the approach taken by the gentleman from Mississippi about how this would help the consumers. I am convinced that not one single consumer at the retail level, going into a grocery store and buying sugar, would get one iota of benefit out of this amendment. I am convinced that certain so-called industrial users, whose names you all know and it is not necessary for me to repeat, would be benefited by this amendment. But the consumer, the housewife, the kid buying a candy bar, would not have one iota of preference under this amendment. This program has worked very well. It has kept the cost of sugar down more than any other food commodity; and, if the amendment were

adopted, it would result in the Act being completely and totally unworkable. I happen to come from a sugar-producing area. We, over the years, have had a unified approach. The farmer, the producer, the refiner, all of them have agreed on this bill as it comes out here today. This amendment is not one to help the consumer.

This is an amendment to wreck this bill and make it impossible to stabilize this industry. This is a difficult bill. It is one that has been worked out in collaboration with many people, in collaboration with many foreign governments. I think the committee has done a good job. And I think for us on the floor to upset the work of the committee under the pretense—and I use the word "pretense" advisedly—that this would help the consumer, would be highly unsatisfactory. Let me say this, that the price of sugar has advanced practically not at all since World War II, and this compares with other commodities such as cotton. But it is quite different from the others. I hope that this amendment is defeated.

Mr. COOLEY. I just want to conclude by saying again that the Director of the Sugar Division says that it is absolutely necessary for him to have this degree of flexibility in the program if he is to carry out the purpose of the act and provide for a stable supply of sugar at a reasonable price.

Mr. Chairman, I therefore ask for a defeat of this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Mississippi [Mr. ABERNETHY].

The amendment was rejected.

The CHAIRMAN. Are there any further amendments under the rule?

Mr. DOLE. I offer an amendment.

The CHAIRMAN. Does the amendment conform to the terms of the rule as announced by the Chair?

Mr. DOLE. It does, as far as I know; yes, Mr. Chairman.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amendment offered by Mr. DOLE: On page 25, line 3, strike out lines 3 through 23.

Mr. DOLE. Mr. Chairman, I might state very briefly that my amendment adds nothing new to the bill. It simply strikes out section 18. Section 18 has been referred to as the Dominican Republic windfall amendment. We have talked about fall-back and draw-back, but we also have a windfall in this bill to the tune of around $22.5 million.

I might say, first of all, that mine is not a partisan amendment. This windfall amendment adopted by the Agriculture Committee was opposed and is opposed by the USDA and the Justice Department. I want to also point out that at the very time that we are asking Congress to pass a bill containing this provision there are cases pending in the Court of Claims. One case is, South Puerto Rico Sugar Co. versus the United States for approximately $7 million. This is a copy of the petition. The suit was filed only last September 1961, less than a year ago.

Mr. HOEVEN. Mr. Chairman, will the gentleman yield?

Mr. DOLE. I yield to the gentleman from Iowa.

Mr. HOEVEN. Did I understand the gentleman to say that this amendment was opposed by the Department of Agriculture?

Mr. DOLE. I am talking about the language of the amendment in the bill.

On February 28, 1962, the United States filed its answer, and since that time I have been in contact with the Justice Department and with Mr. Myers of the Sugar Division. They tell me we do not owe the South Puerto Rico Co. $7 million, we do not owe the Dominican Republic Sugar Co. around $14 million, and we do not owe the Porcella Vincini Sugar Co. around $2 million.

Briefly, what happened? When we stopped buying sugar from Cuba we had to find other sources, so we bought a large share from the Dominican Republic at the world price or more. This was in the fall of 1960 and the spring of 1961. At this time Mr. Trujillo was in charge of the Dominican Republic, and at that time, under authorization of the OAS and on relationship with the Dominicans, an import fee of about 2 or 2¼ cents per pound was imposed on all the sugar imported from the Dominican Republic through these various companies. The total amount of fees was about $22 million. These fees were legally imposed, as indicated in the report by the Justice Department. They claim they have a valid defense; why, then, should Congress authorize payment of $22.5 million when it is not legally due?

I might also say that there has been very little testimony on this bill. The only witness who appeared is one of the attorneys who represents the plaintiff in the pending lawsuit in the U.S. Court of Claims.

Mr. Chairman, no one has had an opportunity to appear in opposition. We are simply providing a $22.5 million windfall if my amendment is not adopted.

Mr. Chairman, there will be some talk about a moral obligation. The question is whether or not we legally owe these companies any money. I say we do not; it should not be authorized by this Congress. We will be setting a very poor precedent if we do this, and, therefore, I trust the amendment will be adopted.

The CHAIRMAN. For what purpose does the gentleman from North Carolina rise?

Mr. COOLEY. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. Is the gentleman opposed to the amendment under the terms of this rule?

Mr. COOLEY. Yes, sir.

The CHAIRMAN. The gentleman is recognized for 5 minutes in opposition to the amendment.

Mr. COOLEY. Mr. Chairman, this amendment was considered carefully in our committee and voted on once informally and once formally. I think that on the first vote there were only about 5 members who voted for it and all the rest of them—30 members—voted against it. The last time it was considered it was defeated by a vote of better than 2 to 1—2 to 1 against the amendment.

Mr. Chairman, I do not understand that the Department of Agriculture is against this provision of the bill, nor do I understand that the Justice Department is against this provision of the bill. The situation is just simply this: that in order to prevent Mr. Trujillo from becoming unduly enriched, President Eisenhower took away from him the premium provided in the sugar program amounting to about $22 million and impounded this money and deposited it into the Treasury. No one complained about the action taken by the President, because everyone knew that otherwise the dictator probably would have taken the money out of the country and enriched his own family.

Now, Mr. Chairman, the money is in the Treasury of the United States. The only way to get it out is to do it in the manner by which we are proposing to do it, and that is to make it available to the President to refund to the people of the Dominican Republic rather than give them charity or aid.

Mr. GARY. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Virginia.

Mr. GARY. Mr. Chairman, is it not true that although we did not pay the Dominican Republic this premium, we did pay them more than the world market price?

Mr. COOLEY. I do not know what we paid them for it. I know this: that they took away the premium and deprived these people of the benefits of it.

Mr. GARY. If the gentleman will yield further, we still paid them more than the world market price, and they have not lost a thing.

Mr. COOLEY. Let me say this: I do not think the President had any legal right to do what he did, but he did it. We did not make any exception, and say that he could take the premium from this country or that country, but he did it. We want to refund this money, the committee wants to refund it, the State Department wants to refund it, and they indicated that the administration wanted to refund it.

Mr. Chairman, these people are proud people. They are trying to hold the government together down there—seven courageous men—and for us to deal this shocking blow to them might cause this government to fall. The administration wanted to give it back in the form of aid. Why not give it back to them in this way, and recognize the moral obligation involved and the dignity of the action taken by President Eisenhower.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Oklahoma.

Mr. BELCHER. Mr. Chairman, the gentleman from Kansas [Mr. DOLE] said that this was not a partisan matter, and I can assure the Members of the House that it is not. Mr. DOLE and I represent districts adjoining each other, and are

both on the same side of the aisle. I think this House is entitled to know the reason why I am voting against my good friend's amendment. I have this feeling: Every other country on the face of the earth to which we are allocating the sugar quota from Cuba brought sugar in without paying this tax. This tax was assessed against Trujillo for the purpose of removing him as a dictator in the Dominican Republic. It undoubtedly accomplished that purpose. Now we are asking to refund that money to the Dominican people who are trying to set up a democratic form of government down there.

Mr. Chairman, we spent $2 billion on Tito on the mere chance that he might some day oppose the Communists. We have a government down here that has an opportunity to become a democracy. My feeling is that we have the moral right to treat the Dominican Republic at least as good as we are treating Brazil, when Brazil expropriated our interests down there, while the Dominican Republic has not.

Mr. Chairman, for that reason I say that the money should be returned to the Dominican Republic in the hope of saving that country from the same fate that happened to Cuba. I know that we would give 20 times $22 million in order to get Cuba back as a democracy.

Mr. COOLEY. Mr. Chairman, one of the companies involved is the South Puerto Rico Sugar Co., an American-owned company. They have about $6 or $7 million invested here. The net end result would be, unless we do this, that by Executive order we would be confiscating and expropriating property belonging to American citizens merely because they happened to be located in the Dominican Republic. There is no other way to get the money back to the South Puerto Rico Sugar Co. except in this way. Mr. Chairman, I ask that the amendment be defeated.

Mr. JONES of Missouri. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. JONES of Missouri. Does not the gentleman think that it should be brought out that this amendment is not going to save $22 million, because the Department of State has said that they are going to use $22 million to give them in aid, anyway? In this way, we are going to use the money rightfully, the way it ought to go, instead of in foreign aid.

Mr. COOLEY. The gentleman is correct.

The CHAIRMAN. All time has expired. The question is on the amendment offered by the gentleman from Kansas [Mr. DOLE].

The question was taken; and on a division (demanded by Mr. DOLE) there were—ayes 74, noes 92.

Mr. DOLE. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. DOLE and Mr. GATHINGS.

The Committee again divided, and the tellers reported that there were—ayes 77, noes 95.

So the amendment was rejected.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. DAVIS of Tennessee, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, pursuant to House Resolution 691, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. DOLE. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. DOLE. I am, Mr. Speaker.

The SPEAKER. The gentleman qualifies.

The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. DOLE moves to recommit the bill H.R. 12154 to the Committee on Agriculture with instructions to report the same back to the House forthwith with the following amendment: Page 25, line 3, strike out lines 3 through 23.

The SPEAKER. The question is on the motion.

Mr. DOLE. Mr. Speaker, on that I ask for the yeas and nays.

The SPEAKER. In accordance with the order of the House, under the unanimous-consent agreement previously entered into, further consideration of the bill is postponed until tomorrow.

PUERTO RICO'S FESTIVAL CASALS

(Mr. RYAN of New York asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RYAN of New York. Mr. Speaker, at this time and during the period June 8–20, 1962, in San Juan, P.R., the annual Festival Casals is being presented. This is the sixth year that Puerto Rico's far-seeing administration has encouraged a major music festival of notable size and achievement. Today I wish to pay tribute to the imaginative and energetic Puerto Ricans who support this major undertaking and to Pablo Casals, one of the world's most distinguished figures in music who is the active guiding spirit for the festival.

The Festival Casals is a monument to both the maestro and other musicians who founded it and to the Puerto Rican government which supports the festival. Under Operation Bootstrap the economic development of Puerto Rico has made remarkable advances. Under Operation Commonwealth the growth of a free and democratic government has been a laudable example to underdeveloped areas of the world. To help insure that the raising of the standard of living results in a better civilization, the Puerto Rican government initiated still another program—Operation Serenidad or Operation Serenity. A part of this third operaton program is the developing of cultural projects such as the annual Casals festival.

The Puerto Rican people, steadfastly devoted to democracy, are creating a good civilization where a community can live peacefully and with dignity—a community where the arts are an integral part of the public life.

The Casals Festival both honors and is guided by Don Pablo Casals who believes that "the right to liberty and dignity is a God-given heritage to mankind." Senor Casals, the 86-year-old world famous cellist has become a living legend. A supreme musician, a courageous and creative man, Pablo Casals is a passionate defender of liberty. A voluntary exile from Spain, his native country, because he would not tolerate the Franco dictatorship, Casals has refused to play his beautiful music in any country where human freedoms are denied. In his 1958 appearance at the United Nations he appealed through music for peace and harmony in the world.

Finding a home in Puerto Rico, his mother's place of birth, Casals was honored by the founding of the Festival Casals. This vigorous octogenarian is the cohesive force in the shaping of the festival. As musical director of the festival, Casals' own enthusiasm and love for music becomes contagious, and the musicians are inspired.

A number of tangible developments have been nurtured by the Festival Casals. The establishment of the conservatory of music is a direct result of response to the festival. Also there is the Symphony Orchestra of Puerto Rico, taking as its nucleus a large part of the festival orchestra, which performs in town squares and civic auditoriums throughout the island. Another outgrowth is the annual selection of 12 scholarship students from the Americas to attend the festival as auditors and to perform in a student capacity.

Mr. Speaker, the festival is a tremendous credit to Puerto Rico which has led the way in supporting a festival of a quality as high as any in the world. The festival is also a tribute to the greatness of one man dedicated to the art of music and firm in his convictions in regard to freedom and human dignity. It is a privilege to honor today the Festival Casals.

IMPROVING FORMAT OF CONGRESSIONAL RECORD

(Mrs. GREEN of Oregon asked and was given permission to address the House for 1 minute and to revise and extend her remarks and to include an editorial.)

Mrs. GREEN of Oregon. Mr. Speaker, I wish to give some background on the resolution that I have introduced today to have a study made by the responsible Joint Committee on Printing into the feasibility of improving the format of the CONGRESSIONAL RECORD.

I think that all of us in Congress will agree that the printing of the CONGRESSIONAL RECORD, the journal of Senate and House proceedings, is a miracle of production. The Government Printing

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

Issued June 20, 1962
For actions of June 19, 1962
87th-2d, No. 100

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HIGHLIGHTS: House passed sugar bill. House began debate on farm bill. Sen. Morse endorsed bill to revise school lunch apportionment formula.

HOUSE

1. SUGAR. Passed, 319-72, without amendment H. R. 12154, to amend and extend the Sugar Act. (See Digest 99 for a summary of the bill.) pp. 10145-6

2. FARM PROGRAM. Began debate on H. R. 11222, the proposed Food and Agriculture Act of 1962. pp. 10146-86.

3. FARM LOANS. Rep. Beckworth stated that he had "tried to obtain information as to the percentage of people who actually farm who receive loans," and inserted correspondence and tables from various sources in regard to these loans. pp. 10192-200

4. CONTRACTS. The Banking and Currency Committee reported with amendments H. R. 11500, to extend the Defense Production Act of 1950, as amended (H. Rept. 1839). p. 10203

5. ROADS. The "Daily Digest" states that the Public Works Committee "Met in executive session and ordered reported favorably to the House H. R. 12135 (amended), the Federal-Aid Highway Act of 1962." p. D490

SENATE

6. FARM LABOR. Sen. Williams, N. J., expressed concern over economic conditions of migratory farm workers and commended a new Calif. health program for farm workers. pp. 10220-1

7. SCHOOL LUNCH. Sen. Morse urged enactment of H. R. 11665 and S. 2442, to revise the formula for apportioning cash assistance funds among the States under the National School Lunch Act, stating that under the recommendations of this Department Oregon's share of the funds would rise from $893,000 to $916,000. p. 10266

8. ESTES INVESTIGATION. Sen. Tower expressed confidence that the combined leadership of Sens. McClellan and Mundt in the Estes inquiry "will assure its thoroughness and competence," and inserted an article commending them. pp. 10210-1

9. INTERIOR AND RELATED AGENCIES APPROPRIATION BILL, 1963. Sen Dworshak was appointed an additional conferee on this bill, H. R. 10802. p. 10208

10. EDUCATION. Sen. Ervin commended the land-grant colleges and universities on their 100th anniversary and inserted an article by Dr. John T. Caldwell, chancellor of North Carolina State College, on the origin and accomplishments of the land-grant colleges. pp. 10211-3

11. EMPLOYMENT. Sen. Javits criticized the President's Committee on Equal Employment Opportunity as "reportedly suffering from a conflict of philosophies and a conflict of personalities," and inserted an article on the matter. pp. 10215-6

12. FORESTRY. Sen. Gruening inserted an article quoting the regional forester for the Tongass National Forest in Alaska as predicting that recreation would compete strongly with timber as one of Alaska's chief resources in the future. pp. 10218-9

13. COMMUNICATIONS. Continued debate on H. R. 11040, to provide for the establishment of a commercial communications satellite system. pp. 10223-57

14. ECONOMICS. Sen. Curtis criticized the President's recent speech at Yale, stating that it "in effect, rewrote the principles of economics," and inserted an editorial criticizing the speech, "Leftward Ho." p. 10261

15. ELECTRIFICATION. Sen. Morse inserted an article from the Northwest Ruralite on the furnishing of electric power to the Maritime Administration's Astoria Reserve Fleet by the West Oregon Electric Cooperative. p. 10266

16. LEGISLATIVE PROGRAM. Sen. Mansfield announced that possibly the latter part of this week bills would be considered to extend the Defense Production Act and to continue the authority for regulation of exports. p. 10260

ITEMS IN APPENDIX

17. SUGAR. Speech in the House of Rep. Roosevelt urging the enactment of H. R. 11706, to provide for the establishment of fair and reasonable minimum wage rates for workers employed on sugar farms. pp. A 4575-6

Speech in House of Rep. Anderson, Ill., urging that a provision be inserted in the sugar bill "that in exchange for the receipt of a sugar allocation, a foreign producer would agree that dollar credits be used for the purchase of some of our surplus agricultural commodities." p. A4607

Speech in the House of Rep. Sikes supporting the sugar bill. pp. A4608-9

Speech in the House of Rep. Ashley criticizing "the manner in which the bill has been brought to the House," as well as criticizing the sugar bill. pp. A4616-7

18. FARM PROGRAM. Extension of remarks of Rep. Beermann inserting an article criticizing the farm bill, "Farm Legislation That Isn't Wanted by the Farmers." p. A4577

Extension of remarks of Rep. Findley inserting two critical editorials, "Who Gets It?", and "The Breeding Ground of the Billie Sols." pp. A4584-5

Extension of remarks of Rep. Johnson, Wis., inserting an editorial endorsing the farm bill. p. A4616

Extension of remarks of Rep. McFall inserting a speech by a visiting lecturer, "Most of the World's Problems Are Rural." pp. A4620-3

19. DAIRY PROGRAM. Extension of remarks of Sen. Wiley inserting excerpts from an address urging greater consumption of dairy foods. p. A4584

20. FARM LABOR. Extension of remarks of Sen. Williams, N. J., inserting a statement urging the enactment of legislation to improve the conditions of migrant labor. p. A4585

Extension of remarks of Sen. Williams, N. J., inserting a resolution of the National Council on Agriculture Life and Labor commending former Assistant Secretary of Labor Holleman "for his magnificent work on behalf of farmworkers." p. A4595

21. COOPERATIVES. Extension of remarks of Rep. Quie inserting an article describing farmer cooperatives, "Just What Are Co-ops?" p. A4597

BILLS INTRODUCED

22. SOIL BANK. H. R. 12215, by Rep. Reifel, to amend the Soil Bank Act so as to authorize the Secretary of Agriculture to permit the harvesting of hay on conservation reserve acreage under certain conditions; to Agriculture Committee.

BILL APPROVED BY THE PRESIDENT

23. FOREIGN TRADE: TEXTILES. H. R. 10788, to amend Sec. 204 of the Agricultural Act of 1956 so as to authorize the President to regulate imports of textiles and textile products from non-participating countries of multilateral trade agreements. Approved June 19, 1962. (Public Law 87-488)

PRINTED HEARINGS RECEIVED IN THIS OFFICE

24. APPROPRIATIONS. H. R. 11289, Department of Defense Appropriations for 1963. S. Appropriations Committee; Military Construction Appropriations for 1963, part 2; and Department of Agriculture Appropriations for 1963, part 5, H. Appropriations Committee. (Copies of the Agriculture hearings have been distributed to the budget officers of the various agencies of the Department, pursuant to a distribution list that was prepared in cooperation with the agencies. Copies are not available from the Division of Legislative Reporting. A small reserve supply, to meet emergency needs, is available in theDivision of Estimates and Allotments, Ext. 5901.)

COMMITTEE HEARINGS JUNE 20:
Sugar Bill, S. Finance.
S. Agriculture (exec., on committee business).
Investigation of stockpiling program, S. Armed Services.
Retirement credit for service in Federal-State cooperative programs, H. Civil Service (CSC to testify).

America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Mrs. Hasmik Arzoo shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following: "That the Attorney General is authorized and directed to cancel any outstanding orders and warrants of deportation, warrants of deportation, warrants of arrest, and bond, which may have issued in the case of Mrs. Hasmik Arzoo. From and after the date of the enactment of this Act, the said Mrs. Hasmik Arzoo shall not again be subject to deportation by reason of the same facts upon which such deportation proceedings were commenced or any such warrants and orders have issued."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

BOGDAN KUSULJA

The Clerk called the bill (H.R. 4718) for the relief of Bogdan Kusulja.

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Bogdan Kusulja shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

With the following committee amendment:

Srike out all after the enacting clause and insert in lieu thereof the following: "That the Attorney General is authorized and directed to cancel any outstanding orders and warrants of deportation, warrants of arrest, and bond, which may have issued in the case of Bogdan Kusulja. From and after the date of the enactment of this Act, the said Bogdan Kusulja shall not again be subject to deportation by reason of the same facts upon which such deportation proceedings were commenced or any such warrants and orders have issued."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

ELADIO ARIS (ALSO KNOWN AS ELADIO ARIS CARVALLO)

The Clerk called the bill (H.R. 9186) for the relief of Eladio Aris (also known as Eladio Aris Carvallo).

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Eladio Aris (also known as Eladio Aris Carvallo) shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee.

With the following committee amendment:

On page 1, at the end of the bill, change the period to a colon and add the following: "*Provided,* That a suitable and proper bond or undertaking, approved by the Attorney General, be deposited as prescribed by section 213 of the said Act."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

The SPEAKER. This concludes the call of the Private Calendar.

SUGAR ACT AMENDMENTS OF 1962

The SPEAKER. The unfinished business is the vote on the motion of the gentleman from Kansas [Mr. DOLE] to recommit the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Without objection, the Clerk will again report the motion to recommit.

The Clerk read as follows:

Mr. DOLE moves to recommit the bill H.R. 12154 to the Committee on Agriculture with instructions to report the same back to the House forthwith with the following amendment: Page 25, line 3, strike out lines 3 through 23.

The SPEAKER. The gentleman from Kansas [Mr. DOLE] has demanded the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 174, nays 222, not voting 41, as follows:

[Roll No. 117]

YEAS—174

Addabbo	Conte	Hays
Alger	Corbett	Hechler
Andersen, Minn.	Cramer	Hemphill
Anderson, Ill.	Cunningham	Hiestand
Arends	Curtis, Mass.	Hoeven
Ashbrook	Curtis, Mo.	Hoffman, Ill.
Auchincloss	Denton	Hosmer
Avery	Derounian	Jensen
Ayres	Derwinski	Johansen
Baker	Devine	Jonas
Baldwin	Diggs	Judd
Baring	Dole	Kastenmeier
Barry	Dominick	Kearns
Bates	Dooley	Keith
Battin	Dorn	Kilgore
Becker	Durno	King, N.Y.
Beermann	Dwyer	Knox
Bell	Ellsworth	Kunkel
Berry	Feighan	Kyl
Betts	Fenton	Langen
Blatnik	Findley	Latta
Bolling	Fino	Lindsay
Bolton	Fisher	Lipscomb
Bow	Ford	McCulloch
Broomfield	Gary	McDonough
Brown	Gavin	McIntire
Broyhill	Goodell	McVey
Byrnes, Wis.	Goodling	Macdonald
Cederberg	Griffin	MacGregor
Chamberlain	Gross	Mahon
Chenoweth	Gubser	Mailliard
Church	Hall	Marshall
Clancy	Harrison, Wyo.	Martin, Mass.
Collier	Harsha	Martin, Nebr.
Colmer	Harvey, Ind.	Mason
	Harvey, Mich.	Mathias
Meader	Reece	Steed
Michel	Reuss	Taber
Miller, N.Y.	Rhodes, Ariz.	Teague, Calif.
Milliken	Riehlman	Thompson, N.J.
Minshall	Rogers, Tex.	Thomson, Wis.
Moore	Roush	Tollefson
Moorehead, Ohio	Rousselot	Utt
Morse	St. George	Van Pelt
Mosher	Saylor	Van Zandt
Nelsen	Schadeberg	Waggonner
Norblad	Schenck	Wallhauser
Nygaard	Scherer	Weaver
O'Konski	Schneebeli	Weis
Osmers	Schweiker	Westland
Ostertag	Schwengel	Whalley
Passman	Scranton	Wharton
Pelly	Seely-Brown	Widnall
Pillion	Shriver	Williams
Pirnie	Sibal	Wilson, Calif.
Poff	Siler	Winstead
Quie	Smith, Calif.	Young
Ray	Springer	Younger
	Stafford	

NAYS—222

Abbitt	Griffiths	O'Hara, Mich.
Abernethy	Hagan, Ga.	Olsen
Albert	Hagen, Calif.	O'Neill
Alexander	Haley	Patman
Andrews	Halpern	Perkins
Anfuso	Hansen	Peterson
Ashley	Harding	Pfost
Ashmore	Hardy	Philbin
Aspinall	Harris	Pike
Bailey	Harrison, Va.	Pilcher
Barrett	Healey	Poage
Bass, Tenn.	Hébert	Powell
Beckworth	Henderson	Price
Belcher	Herlong	Pucinski
Bennett, Fla.	Holifield	Purcell
Boggs	Holland	Rains
Boland	Huddleston	Randall
Bonner	Hull	Reifel
Brademas	Inouye	Rhodes, Pa.
Breeding	Jarman	Rivers, Alaska
Brooks, Tex.	Jennings	Rivers, S.C.
Buckley	Joelson	Roberts, Ala.
Burke, Ky.	Johnson, Calif.	Roberts, Tex.
Burke, Mass.	Johnson, Md.	Rodino
Burleson	Johnson, Wis.	Rogers, Colo.
Byrne, Pa.	Jones Ala.	Rogers, Fla.
Cahill	Jones, Mo.	Rooney
Cannon	Karsten	Roosevelt
Carey	Karth	Rosenthal
Casey	Kee	Rostenkowski
Celler	Kelly	Rutherford
Chelf	Keogh	Ryan, Mich.
Clark	King, Calif.	Ryan, N.Y.
Coad	Kirwan	St. Germain
Cohelan	Kitchin	Santangelo
Cook	Kluczynski	Scott
Cooley	Kornegay	Selden
Corman	Kowalski	Shelley
Curtin	Landrum	Sheppard
Daddario	Lane	Shipley
Dague	Lankford	Short
Daniels	Lennon	Sikes
Davis, John W.	Lesinski	Sisk
Dawson	Libonati	Slack
Delaney	McDowell	Smith, Iowa
Dent	McFall	Smith, Miss.
Dingell	McMillan	Smith, Va.
Donohue	McSween	Spence
Downing	Mack	Staggers
Doyle	Madden	Stephens
Dulski	Magnuson	Stratton
Edmondson	Matthews	Sullivan
Elliott	May	Taylor
Everett	Miller, Clem	Teague, Tex.
Evins	Miller, George P.	Thomas
Fallon	Mills	Thompson, Tex.
Fascell	Moeller	Thornberry
Finnegan	Monagan	Toll
Flynt	Montoya	Trimble
Fogarty	Moorehead, Pa.	Tuck
Forrester	Morgan	Udall, Morris K.
Fountain	Morris	Ullman
Friedel	Morrison	Vanik
Fulton	Moss	Vinson
Gallagher	Multer	Walter
Garmatz	Murphy	Watts
Gathings	Murray	Whitener
Giaimo	Natcher	Whitten
Gilbert	Nedzi	Wickersham
Gonzalez	Nix	Willis
Granahan	Norrell	Wright
Grant	O'Brien, Ill.	Zablocki
Gray	O'Brien, N.Y.	Zelenko
Green, Oreg.	O'Hara, Ill.	
Green, Pa.		

NOT VOTING—41

Adair	Boykin	Davis, James C.
Addonizio	Bray	Davis, Tenn.
Alford	Brewster	Dowdy
Bass, N.H.	Bromwell	Farbstein
Bennett, Mich.	Bruce	Flood
Blitch	Chiperfield	

Frazier	Kilburn	Roudebush
Frelinghuysen	King, Utah	Saund
Garland	Laird	Stubblefield
Glenn	Loser	Thompson, La.
Halleck	Merrow	Tupper
Hoffman, Mich.	Moulder	Wilson, Ind.
Horan	Riley	Yates
Ichord, Mo.	Robison	

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Frelinghuysen for, with Mr. Davis of Tennessee against.

Mr. Bass of New Hampshire for, with Mrs. Riley against.

Mr. Bray for, with Mr. Farbstein against.

Mr. Alford for, with Mr. Saund against.

Mr. Laird for, with Mr. Brewster against.

Mr. Kilburn for, with Mr. Loser against.

Until further notice:

Mr. Addonizio with Mr. Adair.

Mr. Ichord of Missouri with Mr. Bennett of Michigan.

Mr. King of Utah with Mr. Tupper.

Mr. Frazier with Mr. Halleck.

Mr. Yates with Mr. Merrow.

Mr. Stubblefield with Mr. Bromwell.

Mr. Thompson of Louisiana with Mr. Bruce.

Mr. Dowdy with Mr. Robison.

Mr. James C. Davis with Mr. Horan.

Mr. Flood with Mr. Glenn.

Mr. Moulder with Mr. Hoffman of Michigan.

Mrs. Blitch with Mr. Wilson of Indiana.

Mr. Boykin with Mr. Chiperfield.

Mr. SHELLEY and Mr. LANE changed their vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. BALDWIN. On that, Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas, 319, nays 72, not voting 46, as follows:

[Roll No. 118]

YEAS—319

Abbitt	Cahill	Fenton
Abernethy	Cannon	Finnegan
Addabbo	Carey	Fino
Albert	Cederberg	Fisher
Alexander	Celler	Flynt
Andrews	Chamberlain	Ford
Anfuso	Chelf	Forrester
Arends	Chenoweth	Fountain
Ashmore	Church	Friedel
Aspinall	Cohelan	Fulton
Auchincloss	Collier	Gallagher
Avery	Colmer	Garmatz
Ayres	Conte	Gary
Baker	Cooley	Gathings
Baldwin	Corbett	Gavin
Barrett	Corman	Giaimo
Barry	Cramer	Gilbert
Bass, Tenn.	Cunningham	Goodling
Bates	Curtin	Granahan
Battin	Curtis, Mass.	Grant
Becker	Daddario	Gray
Beckworth	Dague	Green, Pa.
Belcher	Daniels	Griffin
Bell	Davis, John W.	Griffiths
Bennett, Fla.	Dawson	Gubser
Berry	Delaney	Hagan, Ga.
Betts	Dent	Hagen, Calif.
Boggs	Derounian	Haley
Boland	Dominick	Hall
Bolling	Donohue	Halpern
Bolton	Dooley	Hansen
Bonner	Downing	Harding
Brademas	Doyle	Hardy
Breeding	Dulski	Harris
Brooks, Tex.	Durno	Harrison, Va.
Broyhill	Dwyer	Harrison, Wyo.
Buckley	Edmondson	Harvey, Ind.
Burke, Ky.	Elliott	Harvey, Mich.
Burke, Mass.	Everett	Hays
Burleson	Evins	Healey
Byrne, Pa.	Fallon	Hébert
Byrnes, Wis.	Fascell	Henderson
Herlong	Milliken	Santangelo
Hoeven	Mills	Schenck
Holland	Monagan	Schneebeli
Hosmer	Montoya	Schweiker
Huddleston	Moore	Schwengel
Hull	Morehead, Ohio	Scott
Inouye	Moorhead, Pa.	Scranton
Jarman	Morgan	Seely-Brown
Jennings	Morrison	Selden
Jensen	Morse	Shelley
Joelson	Mosher	Sheppard
Johnson, Calif.	Moss	Short
Johnson, Md.	Multer	Shriver
Johnson, Wis.	Murphy	Sibal
Jonas	Murray	Sikes
Jones Ala.	Natcher	Siler
Jones, Mo.	Nedzi	Sisk
Judd	Nelsen	Slack
Karsten	Nix	Smith, Calif.
Karth	Norbald	Smith, Iowa
Kee	Norrell	Smith, Miss.
Keith	Nygaard	Smith, Va.
Kelly	O'Brien, Ill.	Spence
Keogh	O'Brien, N.Y.	Springer
King, Calif.	O'Hara, Ill.	Stafford
King, N.Y.	O'Hara, Mich.	Staggers
Kirwan	Olsen	Steed
Kitchin	O'Neill	Stephens
Kluczynski	Osmers	Stratton
Knox	Ostertag	Sullivan
Kornegay	Passman	Taylor
Kowalski	Patman	Teague, Calif.
Kunkel	Pelly	Thomas
Landrum	Perkins	Thompson, Tex.
Lane	Peterson	Thornberry
Langen	Pfost	Toll
Lankford	Philbin	Trimble
Latta	Pike	Tuck
Lennon	Pilcher	Udall, Morris K.
Lesinski	Pirnie	Ullman
Libonati	Poage	Utt
Lipscomb	Poff	Van Pelt
McCulloch	Price	Van Zandt
McDonough	Purcell	Vinson
McDowell	Rains	Waggonner
McFall	Randall	Wallhauser
McIntire	Reece	Walter
McMillan	Reifel	Watts
McSween	Rhodes, Ariz.	Weaver
McVey	Rhodes, Pa.	Weis
Macdonald	Riehlman	Westland
Mack	Rivers, Alaska	Whalley
Madden	Rivers, S.C.	Wharton
Magnuson	Roberts, Ala.	Whitener
Mailliard	Roberts, Tex.	Whitten
Martin, Mass.	Rodino	Wickersham
Martin, Nebr.	Rogers, Colo.	Widnall
Mathias	Rogers, Fla.	Williams
Matthews	Rooney	Willis
May	Rosenthal	Wilson, Calif.
Meader	Ryan, Mich.	Winstead
Miller, Clem	Ryan, N.Y.	Wright
Miller, George P.	St. George	Younger
Miller, N.Y.	St. Germain	Zablocki
		Zelenko

NAYS—72

Alger	Ellsworth	O'Konski
Andersen, Minn.	Feighan	Pillion
Anderson, Ill.	Findley	Powell
Ashbrook	Fogarty	Pucinski
Ashley	Goodell	Quie
Baring	Green, Oreg.	Ray
Beermann	Gross	Reuss
Blatnik	Harsha	Rogers, Tex.
Bow	Hechler	Roosevelt
Broomfield	Hemphill	Rostenkowski
Brown	Hiestand	Roush
Casey	Hoffman, Ill.	Rousselot
Chiperfield	Johansen	Rutherford
Clancy	Kastenmeier	Saylor
Clark	Kearns	Schadeberg
Cook	Kilgore	Scherer
Curtis, Mo.	Kyl	Shipley
Denton	Lindsay	Taber
Derwinski	MacGregor	Thompson, N.J.
Devine	Mahon	Thomson, Wis.
Diggs	Marshall	Tollefson
Dingell	Michel	Vanik
Dole	Minshall	Young
Dorn	Moeller	
	Morris	

NOT VOTING—46

Adair	Davis, James C.	Holifield
Addonizio	Davis, Tenn.	Horan
Alford	Dowdy	Ichord, Mo.
Bailey	Farbstein	Kilburn
Bass, N.H.	Flood	King, Utah
Bennett, Mich.	Frazier	Laird
Blitch	Frelinghuysen	Loser
Boykin	Garland	Mason
Bray	Glenn	Merrow
Brewster	Gonzalez	Moulder
Bromwell	Halleck	Riley
Bruce	Hoffman, Mich.	Robison
Coad	Kilburn	Roudebush
Saund	Thompson, La.	Wilson, Ind.
Stubblefield	Tupper	Yates
Teague, Tex.		

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Laird for, with Mr. Bray against.

Mr. Loser with Mr. Adair.

Mr. King of Utah with Mr. Robison.

Mr. Brewster with Mr. Halleck.

Mr. James C. Davis with Mr. Frelinghuysen.

Mrs. Riley with Mr. Bruce.

Mr. Saund with Mr. Wilson of Indiana.

Mr. Holifield with Mr. Kilburn.

Mr. Frazier with Mr. Tupper.

Mr. Farbstein with Mr. Glenn.

Mr. Ichord of Missouri with Mr. Roudebush.

Mr. Alford with Mr. Bennett of Michigan.

Mr. Bailey with Mr. Merrow.

Mr. Davis of Tennessee with Mr. Horan.

Mr. Moulder with Mr. Garland.

Mr. Dowdy with Mr. Bass of New Hampshire.

Mr. Yates with Mr. Hoffman of Michigan.

Mr. Stubblefield with Mr. Bromwell.

Mr. Thompson of Louisiana with Mr. Mason.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL ANNOUNCEMENTS

Mr. COAD. Mr. Speaker, I was unavoidably detained and was not able to vote on the last rollcall. Had I been present, I would have voted "yea."

Mr. BAILEY. Mr. Speaker, I was absent from the floor on the last rollcall. Had I present, I would have voted "yea."

CORRECTION OF ROLLCALL

Mr. MACDONALD. Mr. Speaker, on rollcall No. 115, on June 18, 1962, a quorum call, I was recorded as absent. I was present, and answered to my name. I ask unanimous consent that the permanent RECORD and the Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

FOOD AND AGRICULTURE ACT OF 1962

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 678, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 11222) to improve and protect farm income, to reduce costs of farm programs to the Federal Government, to reduce the Federal Government's excessive stocks of agricultural commodities, to maintain reasonable and stable prices of agricultural commodities and products to consumers, to provide adequate supplies of agricultural commodities for domestic and foreign needs, to conserve natural resources, and for other purposes, and points of order against said bill as they pertain to Public Law 480, Eighty-third Congress, are hereby waived. After general debate, which shall be confined to the bill

Two years of negotiation between the hingineers and the snuffboxeries collapsed last Thursday after an all-night meeting with Silversmith at Gilhooly's "Honey Fitz" Tavern.

Later that day, the Sons of Liberty made a public plea for both sides to submit to binding arbitration. They said the Revolutionary Government and/or the Royal Colony (Jack, Bobbie, Teddy, Sargeant, et al.), whichever the case may be, could not afford the immobilization of 40 percent of its snuffboxeries and its loss on its balance of payments to George III.

The snuffboxeries accepted the SOL's proposals. But the hingineers union said it would mass at Concord and vice versa before it arbitrated the question of separate representation and other issues relating to the third-man dispute.

Instead the hingineers repeated an earlier offer to have General Gage arbitrate the economic issues with Eastern Snuffboxes and Pan Boston, provided George III and the snuboxeries gave them ironclad guarantees on their rights to a separate bargaining voice and against invention of the cigarette. The union's TSA branch refused to submit any of the issues to arbitration.

After the snuffboxeries rejected this proposal, union members met at Plymouth Rock on Saturday and voted to go ahead with a walkout against one or more of the snuffboxeries.

Hingineer's President Donald Dureit who announced the decision to strike TSA, said the union shared General Gage's and Sam Adam's concern about the unemployment and tea payments problems.

But, he continued, the hingineers still insist on being "guaranteed a meaningful vote in the future of snuffboxes and against lung cancer."

He also repeated an hingineer's contention that snuffbox safety requires the third man, saying: "The snuffboxeries would withdraw shrdlu shrdlu from the contract at the request of the fabricator's union."

Dureit said the strike was being limited to TSA because Boston snuffboxeries can easily handle TSA's Massachusetts Bay and Providence Plantations business, and, in addition, Howard Hancock can't afford it any longer."

Mr. Speaker, as a matter of historical curiosity I add that an article of some similarity under byline of one John M. Goshko appeared in the Washington Post & Times Herald of June 18, 1962, page 1, column 1, left.

Sugar Act Amendments of 1962

SPEECH
OF
HON. JOHN B. ANDERSON
OF ILLINOIS
IN THE HOUSE OF REPRESENTATIVES
Monday, June 18, 1962

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1962, as amended.

Mr. ANDERSON of Illinois. Mr. Chairman, I very much regret that the Sugar Act extension measure now before the House which proivdes for the allocation of sugar quotas to foreign producers did not contain a provision relating these allocations to a disposal program for our surplus farm commodities.

It would have been a relatively easy matter to insert a provision in the law that in exchange for the receipt of a sugar allocation, a foreign producer would agree that dollar credits be used for the purchase of some of our surplus agricultural commodities.

Such a provision could have easily been inserted in committee during its consideration of the measure in view of the fact that former Congressman Clifford R. Hope, a former chairman of the House Agriculture Committee and for many years its ranking Republican member, had broached this very idea in recent testimony before the House Agriculture Committee.

We have heard the present chairman of the House Agriculture Committee, in his opening statement, voice his complaint that the reason for the last minute rush to enact this year's sugar legislation was the failure of the present administration to submit any program to the House committee in the 17 months it has been in office.

It is a great pity that the administration had not used this golden opportunity to develop a program for the disposal of surplus commodities in conjunction with sugar allocations.

"Protectionism" Viewed in a Broader Context

EXTENSION OF REMARKS
OF
HON. JOHN H. DENT
OF PENNSYLVANIA
IN THE HOUSE OF REPRESENTATIVES
Monday, June 11, 1962

Mr. DENT. Mr. Speaker, again a new light has been lit to show the way in the darkness of the misrepresented value of the so-called trade expansion plans we are about to enact into law.

For some reason or another, any of you can best judge the reason the public press, which should be giving the other side of the trade expansion argument never seems to have space for the most informative items concerning the effect upon our economy.

No person I know is against trade expansion, but no person with even a superficial knowledge of our job economy can deny that not all trade is desirable.

When we trade jobs for goods, we sometimes fail to realize that soon we will not be able to buy goods because we have no jobs. Any person who fails to recognize the handwriting on the economic wall of unrestricted trade is living in a fool's paradise.

I submit the following article:

"PROTECTIONISM" VIEWED IN A BROADER CONTEXT

"However worthy the goal of expanded world markets for our export goods, the trade expansion bill of 1962 must be weighed in relation to equally or more important national objectives—including protection of national security, prevention of monopolies, conservation of natural resources, balancing of international payments, and the preservation of free competitive enterprise. In at least some cases, only import restrictions can serve the vital function of assuring priority consideration to paramount national purposes."

Thus contends a paper released today by the Texas Independent Producers and Royalty Owners Association. Entitled " 'Protectionism' Viewed in a Broader Context," the paper challenges the "liberal" or "freer" trade label attached to a policy of export promotion—and contends that under current world conditions "a national policy which employs large-scale direct and indirect subsidies to exports and foreign investments is far more protectionist than one permitting moderate import limitations." Heavily footnoted with references to a series of papers published recently by the Subcommittee on Foreign Economic Policy of the Joint Economic Committee, this study is considered a significant effort to change the question from "whether protectionism" to "how much protectionism in which form for what purposes." Author is W. E. Turner, the organization's executive vice president.

THE MASKED FACE OF PROTECTIONISM

Protectionism, it is argued, has two faces, one of which wears the mask of liberal trade.

"When a nation restricts its imports—by tariff, quota, multiple exchange rates, or whatever—it openly acknowledges its protectionism. But when it subsidizes its exports—a practice no less protectionist in principle—it often proclaims such policy a contribution to freer trade. Yet of the two faces of protectionism, subsidies to exports and foreign investments often prove more offensive to a nation's trading partners than do moderate restrictions on imports."

Some Government stimulation of exports, it is emphasized, serves important national objectives and is a universal practice among modern nations. Conflicts with the national interest arise when more important economic and foreign policy objectives are sacrificed to this policy. And, in this report, a strong case is made for the view that America's exporters-first policy has already reached points of conflict with paramount interests of both this country and its free world allies.

"Export goods which require a subsidy in any form to compete abroad are no less protected than are products which require import limitations in order to keep a share of the home market. And there is discomforting new evidence that trade wars are precipitated not by the imposition of moderate import restrictions, but rather by the employment of subsidies to capture foreign markets, often in the name of expanded or more liberal world trade. Historically the isolationism of really high tariff or quota walls comes only after the competition for export markets gets out of bounds."

For evidence that export subsidies can mask protectionism, the report cites industries which were transformed from protectionists fighting to keep imports from taking home markets into proponents of freer trade and exponents of free enterprise abroad.

"Whether we protect a home industry by subsidizing its exports or by insulating it against cheaper foreign-produced imports, the result is still protectionism whatever the label it bears.

"So complete is our dedication to the promotion of exports that many Americans have come to accept the premise that free trade is advanced by almost any policy which expands our export markets. As a result, we lose sight of the fact that some forms of export promotion represent the very antithesis of free trade."

To bolster the contention that tariffs and quotas are often "less protectionist" than

some forms of export promotion, specific cases and studies are cited. The conclusion offered:

"When a nation subsidizes goods in order to capture foreign markets, it not only denies third-nation markets to its foreign competitors—which under free-trade principles they would normally enjoy—but it also denies them their own home markets. If such countries don't react to this with import restrictions, they are forced ultimately to do so for balance-of-payments reasons. And when they do it is called protectionism.

"Yet the form of protectionism—export subsidy—which actually precipitates protectionist restrictions on imports—tariffs or quotas—can remain cloaked in the garb of liberal trade."

ADJUSTMENT PAINS AND COMPENSATION

With the gradual increase in trade competition, stimulated in part by the emerging European Common Market, America's answer was to subsidize an ever greater share of the goods we sent abroad. Such subsidies came in many packages, not the least of which was the more than $100 billion postwar foreign aid to which we increasingly tied the condition that it be used for purchases in the United States.

"Thus even as we preached freer trade for home industries in order to sell the policy of tariff reduction, we practiced more and more protectionism where American export interests were involved.

"Ultimately our unique experiment in prolonging a highly favorable balance of trade through Government-subsidized exports began to show up in the form of a persistent imbalance of international payments. In the place of a 'dollar shortage' abroad came a 'gold shortage' here—and with it a serious challenge to the stability of the U.S. dollar."

America's international trade interests, faced with limitations on the expansion of their exports through such subsidies, correctly foresaw that another extension of the Reciprocal Trade Act would be inadequate to their needs and aspirations. Their answer: sell the administration and then Congress on a new trade policy which for the first time would acknowledge that exports could be increased only at the expense of import-vulnerable home industries. But to ease adjustment pains, home industries and workers were pledged administration support for a trade adjustment compensation subsidy.

"Thus would our dominant international business interests have their crowning achievement: an indirect subsidy to themselves disguised as a direct subsidy to others."

Costs of such a policy, both economic and political, are detailed and the conclusion reached that the price is far too high. In offering an alternative approach, which involves some adjusting also on the part of America's export interests, the report stresses the importance of continuing to encourage exports and foreign investment—but only as needed to fill demand which does not have to be artificially created by direct and indirect subsidies or by sacrificing vital import-vulnerable home industries.

"The first requisite of a strong free world is a strong United States of America. For this, a moderate degree of protectionism is essential—especially where defense-vital home industries are involved.

"Since our pursuit is admittedly not of total free trade, but rather of freer trade in the presumed interest of expanding export markets, the problem facing Congress is to distinguish between protectionism which is necessary and desirable and that which is destructive of our prosperity and freedom. The need of the moment, consequently, could be a view of protectionism in its broader context."

Into British Hearts

EXTENSION OF REMARKS
OF
HON. JOHN D. DINGELL
OF MICHIGAN
IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 19, 1962

Mr. DINGELL. Mr. Speaker, pursuant to permission granted, I insert into the Appendix of the CONGRESSIONAL RECORD an editorial appearing in the Daily Standard at Celina, Ohio, by Mr. Steve Esrati under the headline "Behind the News" entitled "Into British Hearts."

This excellent article successfully rebuts many of the malignant and deliberate falsehoods widely circulated by the AMA against the British health insurance program which has been so successful in improving the health standards of the British people and in offering security against pauperization from high hospitalization and medical bills:

INTO BRITISH HEARTS

(By Steve Esrati)

It is fashionable in AMA circles to make disparaging remarks about the national health service in Great Britain. Rightwing columnists like David Lawrence and our own George Sokolsky take potshots whenever they haven't anything better to write about.

The University of North Carolina Press has just turned out an 8-year study on Britain's health services by Almont Lindsey, professor of history at the University of Virginia. It does a pretty good job of refuting the AMA's version of how awful it is to live under socialized medicine.

The health program, says Lindsey, is available to everyone without qualifications and all but a tiny part of the population share in its benefits. The program, financed by a 14-percent weekly contribution from the public and certain other funds, including taxes, has kept the cost remarkably low. In 1960 it ran $45 per person per year. These are Lindsey's figures.

This cost brought such benefits as full dental, hospital, and medical practitioner care, as well as all necessary drugs, appliances and spectacles. The amazing thing is that the cost of medical care in England under the health service at no time has been more than 4 percent of the national income.

Lindsey is careful to note that in the United States we spent 4.5 percent of our national income in 1959 for health care. Lindsey does not say that our 4.5 percent bought less health care than the 4 percent bought for Englishmen. I would hazard a guess though that such a statement would also be accurate.

In England, under the health service, the infant mortality rate has dropped to 22.2 per 1,000 live births and the maternal mortality rate to 0.32 per 1,000 births—"lower than at any previous time. Only in the Netherlands was infant mortality less, and no nation had a smaller rate of mortality for children between 1 and 14 years of age than England and Wales.

"In that year, for the first time, no one died from diphtheria, and deaths from such diseases as acute poliomyelitis, scarlet fever, tuberculosis, whooping cough, syphilis and acute rheumatism were the lowest ever recorded."

Polls taken in 1952 and 1956 show that the health service is popular. In 1952, 5 percent were opposed. In 1956, the opposition dropped to 3 percent. Says Lindsey, "The Health Service has won its way into the hearts of the British people."

When Parliament passed the act, the British version of the AMA opposed it. "The Ministry of Health," says Lindsey, "made some concessions and gave certain assurances which made the scheme more palatable to many doctors. The Ministry agreed that there would be no whole-time salaried service for general practitioners. The physicians would continue to enjoy complete clinical freedom and would have the right to choose their patients and practice wherever they wished, except in overdoctored areas."

The Government has been able to improve the distribution of doctors. "In 1952, the number of people residing in undoctored areas represented more than one-half of the population; 6 years later, it was less than one-fifth." Lindsey adds, "This improved distribution of doctors was accomplished without coercion and without restriction."

"Doctors," says Lindsey, "have attained a large measure of financial security, which includes a generous pension. Compared with their economic status before World War II, they have done significantly better under the Health Service. They are one of the most highly paid groups in England. When their position has shown evidence of slipping, as it did in the early years of the service and again in 1956, they pressed for an increase, and after a struggle won substantially what they demanded."

Lindsey attributes this observation to an unnamed member of Parliament: "One of the things that the Health Service has done, and a very important thing it is, is to eliminate the fear of the economic consequences of serious and protracted illness, the fear of a doctor's bill. Anybody who goes across the Atlantic, as I did for a fairly brief period last autumn, can see very quickly what a real fear this is in Canada and the United States.

"The knowledge that a serious illness can run away with one's life savings, and probably put one into debt in no time at all, constitutes a neurosis in itself. That is something, thank heaven, that we have been able to eliminate once and for all."

What's wrong with that, Doctor?

Sugar Act Amendments of 1962

SPEECH
OF
HON. ROBERT L. F. SIKES
OF FLORIDA
IN THE HOUSE OF REPRESENTATIVES

Monday, June 18, 1962

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1962, as amended.

Mr. SIKES. Mr. Chairman, H.R. 12154 interests me for a number of reasons. First, it reasserts the authority of Congress. This is both significant and important. Through the years, Congress has delegated much of the authority which the Constiution originally conferred on the Congress to the executive branch of Government. Delegation of authority downgrades the Congress and weakens its effectiveness as a coequal branch of the Government. This bill retains for the Congress, power to allocate sugar quotas. The administration sought a blanket grant of authority

for distribution of quotas. Premature statements by State Department officials have revealed in advance that some of this Nation's best friends would not be included in the quota list if blanket authority were granted. Good friends should be helped and this bill does help them. Then, the Sugar Act amendments as written by the House Committee on Agriculture, materially improves the opportunity for domestic production of sugar. While we all want to advance the interests of our own country, there is marked difference of opinion on how best to accomplish it. I hold to the fundamental concept that direct benefit to American workers and producers is more material than the secondary benefits which we anticipate our people would receive from the help we give to other people. There is a place for both, particularly in a program like this. But there is definite room for expansion of domestic sugar production, and we should not deny American producers the right to take advantage of it. We in Florida are particularly interested in this feature.

Now I am not sure that there is justification for the continued payment of premium prices for sugar. This is a controversial point and one that is difficult for me to accept as essential. In any event, sugar prices have risen less than most commodity prices. Nor am I pleased at the prospect for award quotas to nations who do not see fit to reciprocate in kind. India and Brazil are examples. But the good features of this bill far outweigh the bad ones and I support it as reported by the committee. Enactment of legislation on sugar is, of course, essential, and we gain nothing by delay.

The Wonder of It

EXTENSION OF REMARKS
OF
HON. EMILIO Q. DADDARIO
OF CONNECTICUT
IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 13, 1962

Mr. DADDARIO. Mr. Speaker, a number of my colleagues from Colorado have been pleased to learn that Robert W. Lucas is now executive editor of the Hartford Times and have spoken highly of his record and favorably of his abilities.

I thought they might be interested to know that Mr. Lucas has retained his interest in matters that affect Colorado and the Nation. This is exemplified in an article which he wrote for the Hartford Times last week to mark the passage by the House of the Fryingpan-Arkansas project.

His article reflects a wonderful view of the diversity of this country, of its history and its traditions, and of the mutual interests. I offer it for the RECORD.

The article follows:

THE WONDER OF IT

A news item from Washington this week said the House had approved a bill for a $170 million water project in Colorado. It has been almost 2 years since I last thought about this project, although for almost a decade before that, I had written thousands of words in behalf of it.

The bill would authorize the Bureau of Reclamation to impound tributary waters of the Colorado River west of the Rocky Mountains. The water would then be delivered by tunnel under the Continental Divide to farms and towns on the eastern slope. It would pass through a series of dams and electric power generators—across the flat lands of the old Dust Bowl—and end up in the Atlantic.

Thinking about this project and the related economics of land and water use, I am reminded once again of how vast and incredibly diverse this country really is.

Over the wide sweep of the semiarid West the conservation and engineering of water are critical to the survival and growth of the whole region. Nothing is more important to millions of people out there than the wise use of water.

In a circle of 300 miles radius around Connecticut there are 41 million people. There aren't 10 percent that number in Colorado, Wyoming, Utah, Nevada, New Mexico, and Montana. And yet that once-rough western frontier, including the richer and more heavily populated Pacific Coast States of Washington, Oregon, and California, is of great significance to the jobs and the profits essential to the prosperity of the Northeast. For the West is becoming a great interior market for the output of our laboratories, factories and plants.

I have had the good fortune of seeing big cities grow on reclaimed land; of watching 60,000 carloads of fruit a year rolling out of a valley that was largely desert at the century's turn; of seeing enormous industries spring up and flourish in an empire of hydroelectric power. And I have watched the economic foundation and culture of the Western States gradually come of age.

Not too many years ago, much of the West was dependent upon the East. Its farmers, its infant industries, its utilities and its merchants had to look toward the eastern seaboard for their markets, their financing, their raw materials and—to some extent—their management. They were handicapped by rates of rail transportation, both on what they had to sell and what they needed for production and for resale.

They were long on promise and hope and short on products and competitive parity. Some of them ranted and raved about their bondage to eastern bankers, holding companies, Wall Street and the railroad barons. Many of them, operating on thin margins under the best of conditions, were repeatedly wiped out by weather, depressions, panics, and even tremors in the Nation's economy. And they spawned radical, rebellious politicians and parties that trafficked in the disillusionment, discouragement, and heartbreak of defeat on farm and range, in mine and forest, and in the new rawboned cities.

But the Western migration continued.

It had been given a great boost by passage of the Homestead Act, by rails that tied together the two oceans, by the discovery of gold in California and Alaska, by the completion of the Panama Canal, and by the Reclamation Act.

The Federal Government enabled landowners to unite and borrow money on long terms and low interest to channel melting snows onto parched soil; to electrify farms; to develop river basins; to build land-grant colleges.

Too few people understand the investment character of those Federal actions. For in most cases, the billions of dollars advanced from the U.S. Treasury are being returned, with interest, by the people who borrowed them. And the wealth created by those investments of Federal funds is generating enormous revenues in income, property, and excise taxes which flow into Government coffers, including the U.S. Treasury.

I witnessed a ceremony in the Yakima Valley of Central Washington when the apple and soft fruit farmers made final repayment to the Department of Interior on a loan for an irrigation project that took 40 years to pay back. The net taxable wealth produced over four decades on that little project—during which more than one farmer went bottoms up—was staggering. But the debt to the taxpayers of the United States was paid in full.

Incidentally, the great bulk of agricultural products produced under federally financed reclamation programs is neither under price supports nor in surplus today.

Well, what got me started on this? It was the reminder of just how diverse and complex, how interdependent and how strong the regions of this magnificent country are. Each has so much to offer the others and contributes so much to the total strength of the Union.

It has always both thrilled and mystified me that a people of such contrasting interests and backgrounds—and special, regional problems—could remain as united as they do.

The wonder is not that we remained isolationist as long as we did. Separated by thousands of miles, riven by a Civil War only 100 years ago and prey to the hostilities and competion that are universally human—we remain one people, and the strongest power on earth.

Now I ask you—isn't that wonderful?

Polish-American Veterans

EXTENSION OF REMARKS
OF
HON. PHILIP J. PHILBIN
OF MASSACHUSETTS
IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 13, 1962

Mr. PHILBIN. Mr. Speaker, under unanimous consent to revise and extend my remarks, I wish to elaborate on the subject matter of my speech on the occasion of the recent State convention of the Polish-American Veterans held at Webster, Mass., June 2, 1962.

This inspiring event was conducted this year in my great district and was most impressive in every respect.

It was a great honor and pleasure for me to attend this great convention of the Polish-American Veterans and to welcome all of them to our great Third Congressional District.

My heart is filled with gratitude and pride for their fine contributions to the cause of the veteran, which is so dear to all of us, and their stanch, tireless, and effective support of our free way of life.

The Polish veterans are particularly blessed, not only in their unselfish achievements, but in their rich heritage, which combines the best in the greatness and the glory of your noble Polish background, as well as the best of which our own proud Nation can boast.

Many races and many peoples have come to our shores seeking escape from oppression and tyranny, seeking the cherished opportunity to live and develop in this great, free land, but it can be

said without question that none could ever excel the Polish veterans and the noble Polish people in the quality of their loyalty, the depth of their devotion and the immeasurable sweep and importance of their unsurpassed contributions to their communities, State, and Nation.

This Government owes them a great debt of gratitude for what they have done to preserve it, and the proper treatment of our veterans and their dependents, the disabled, the sick, the handicapped, and the weak must always continue to be the highest concern of representatives of the people. Responsive to the public will, and to the dictates of simple justice, we must leave nothing undone to make sure that those who have given their all, those, like the Polish veterans, who have done so much, and their dependents and dear ones, will be at all times generously treated and given their full rights and entitlements under the great, humane programs which Congress has set up for these laudable purposes.

They and their gallant comrades fought and bled for freedom but unfortunately, in many places, men and women are still in shackles, suffering under the heel of cruel tyranny, in some cases worse than death.

The historic Polish nation with its long, glorious history of struggle and sacrifice for liberty, the first to feel the mad wrath of Nazi aggression was unjustly and ill-advisedly delivered into the hands of Communist oppressors.

That crime, my friends, was one of the blackest crimes in human history, and justice will not be done until the time-honored Polish nation shall find the path of liberation and be numbered once again among the free nations of the earth.

Time and time again, and in innumerable ways, our great President has moved to help the Polish people and under his enlightened leadership, and with the solid support and backing of the free world, I hope that the day is not too far distant when the God-fearing, liberty-loving people of Poland, who have suffered, and have been persecuted, by brutal Soviet dictators, will soon regain their independence, self-determination and freedom.

True Americans do not fear the Soviet Union or any other aggressors. We earnestly seek peace and friendly, peaceful relations with all nations. But we do not intend to allow the Soviet Union, or any other power or combination of powers, to threaten, violate, or destroy our liberties, and the liberties and rights of free peoples.

Let it be known to all that we will militantly defend and protect our birthright and that we will never accept the cowardly slogan of "Better to be Red than dead."

With peace in our hearts and on our lips, with the burning desire for peace and our efforts for peace clear to the whole world, let no one construe our demonstrated love of humanity, our pleas and energetic efforts for peace, and loyalty to free institutions as a sign of weakness.

Let it be clear also that we will stand firm and resolved to protect our heritage, come what may, and that we do not intend to live like moles in the ground cowering and trembling before the great Red colossus that is trying to make puppets and slaves out of all mankind.

The good Lord has miraculously and lavishly blessed our country with unparalleled strength and prosperity. Perhaps, at times, we do not seem to appreciate it, but let us never allow complacency and fatty degeneration of our patriotic and social conscience to soften our high national purpose, or permit fear of manmade violence and aggression to dominate the affairs of this Nation.

With calm resolution and a sense of justice and concern for all humanity, notwithstanding disappointments and obstacles, let us continue with unflinching courage to work for a free and peaceful world, hopeful that with God's grace, wholehearted cooperation, brotherhood, good will and good works our Nation and the world may enjoy the peace with freedom we seek.

The above are some of the thoughts I expressed before the Polish-American Veterans of Massachusetts and I was very proud to be with such great Americans.

President Kennedy's Government by Blunder Cannot Be Covered Up by Strange Economic Theories

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EXTENSION OF REMARKS
OF
HON. BRUCE ALGER
OF TEXAS
IN THE HOUSE OF REPRESENTATIVES
Wednesday, June 13, 1962

Mr. ALGER. Mr. Speaker, the Kennedy administration, operating on a policy of Government by blunder and acceptance of unreal theories to explain away failures, has now come up with the amazing theory that an unbalanced budget and deficit spending is really the way to prosperity. Of course this theory is contrary to every sound law of economics and even the most foolish among us know that you cannot become prosperous by spending all your money and going into debt beyound your means to repay. Such commonsense thinking does not get in the way of the Kennedy propaganda, however. The President blunders from one crisis to another, Cuba, Laos, Berlin, unemployment, the jittery stock market, increased pressure on our balance of payments, all with the greatest of ease and explains them all away through the clever use of words in an attempt to make the American people believe that all is well.

Fortunately, for the United States, the people are not as gullible as President Kennedy believes they are. Most of us have had to earn our living the hard way and we could maintain ourselves and our families only by living strictly within our ability to earn and to save. The President, of course, has never had to face the prblem of making a living, he has never had the experience of running a business, meeting a payroll, and all the costs of operating a successful business. He is now in charge of a business he does not understand and refuses to learn. The result is that he experiments with one economic theory after another, always with his eye on the political consequences rather than on tried and proven truths.

The Nation cannot stand too much more of the Kennedy method of government by blunder. Unless he comes out of his dream world to face the hard facts of fiscal responsibility disaster could be our lot. The Nation is moving again, as he promised, but, alas, we are moving backwards and his only remedy is spend more, go further into debt and, above all, keep quiet about what is really happening.

The following article from the U.S. News & World Report of June 25, 1962, outlines the strange new theory of President Kennedy and shows clearly what it is doing to our economy. The editorial by David Lawrence, from the same edition, further points up the fallacy of the President's theories as does the editorial from the Wall Street Journal of June 14.

[From the U.S. News & World Report, June 25, 1962]

NOW—A PLAN FOR AN UNBALANCED BUDGET

(Back in Washington's favor: deficit financing. Talk now centers on the idea that a deficit in the Federal budget is good if it perks up the economy. Stress had been on a balanced budget. That seems forgotten.)

Until recent days, the line in Washington has been: "Balance the budget."

Mr. Kennedy's official budget for the year to start July 1 forecast a balance, and he insisted on keeping it in balance.

Now the line has changed.

Instead of a balance, men close to the President are talking about the advantages of an unbalanced budget.

A deficit, it is argued, can be just the right medicine for what now ails the U.S. economy.

Deficit financing, in short, is accepted officially once more.

Mr. Kennedy himself is getting ready to propose a tax cut in 1963, with losses offset only in part by tax reforms.

Others, especially in Congress, urge a quickie tax cut in 1962.

AS THINGS STAND

The question now is not whether there will be a deficit in the coming year, but: How big a deficit?

With no tax cut at all, and no increases in spending beyond the President's original plans, the budget would go 3.5 billions in the red in the year ahead.

Actually the deficit is certain to be much bigger than that.

The tax bill of 1962, as passed by the House, would cost $800 million in revenues in the coming year. Changes in depreciation rules, now promised by Mr. Kennedy in the next 2 or 3 weeks, will cost $1.3 billion. Spending is on the way up. Increases could easily reach $3 billion above earlier plans.

That makes a deficit of $8.6 billions. With new tax cuts, or a bigger decline in general business than now expected, a deficit of 10 to 12 billions becomes a distinct possibility.

Note that all these figures are on the basis of the regular, bookkeeping, budget. That

no compensation is granted, the work of my colleagues, I hope, will be recognized by their fellow citizens, for these men and women work tirelessly and unselfishly in the public interest for the welfare of all the citizens through the university.

The challenge before us has had a tremendously exhilarating effect upon our faculty and upon the board. As stockholders in our enterprise, you too, I hope, will feel satisfaction at the luster of the seven stars shining in our city on behalf of the democratic way of life.

Medicare, Yes, but a Bad Bill

EXTENSION OF REMARKS
OF
HON. FRANK T. BOW
OF OHIO
IN THE HOUSE OF REPRESENTATIVES

Thursday, May 24, 1962

Mr. BOW. Mr. Speaker, the subject of medical care of the aged was discussed in a recent Life magazine editorial, which I include with my remarks:

MEDICARE, YES, BUT A BAD BILL

In a space economy where billions too can be projected to the infinite, the question of Government-subsidized medical care for the aged seems hardly more than a detail. But it is a detail President Kennedy hopes to make a political issue next fall if, as seems highly probable, the controversial King-Anderson bill dies in committee. We hope it does die, not because we are against medicare but because King-Anderson is a bad bill.

That there is a residual problem here nobody denies any longer—not even the American Medical Association, whose president foresees a life expectancy of 100 years for many of our children. The principle of society's obligation to help care for the growing number of people too old to work and too young to die is accepted by almost everyone.

But King-Anderson is no answer to the problem and does not even meet it head on. It would pay no doctors' or surgeons' fees and would do nothing for 3 million over-65's who are not entitled to social security benefits. It would cover limited hospital, nursing, and diagnostic services for people already under social security, but even so King-Anderson's cost estimates, $1.1 billion a year to start, are suspect. The Health Insurance Association of America thinks King-Anderson's sponsors have underguessed the costs by half, and British experience suggests the association estimates may be low. Even though an initial charge on the patient is supposed to weed out freeloaders, there may still be in King-Anderson, as there was in the British case, a simple error in logic: giving away any service, be it a hospital bed or a haircut, creates an overdemand for that service.

Suppose King-Anderson's sponsors have miscalculated and the slight increase in social security taxes they propose is not enough? Excess charges would presumably have to be paid out of revenues collected for other purposes, or not paid at all until Congress came to the rescue.

One unsatisfactory law is already on the books. That is the Kerr-Mills law, which matches Federal and State funds to provide more over-65 benefits than King-Anderson would. It has not worked out well; 90 percent of Kerr-Mills benefits now go to people in 5 of the 24 States which have passed enabling legislation. King-Anderson would not even repeal Kerr-Mills but would just become another piece of shoddy legislation.

Congress can and should do better. Three Republicans, Representatives FRANK BOW, of Ohio, JOHN LINDSAY, of New York, and Senator JACOB JAVITS, of New York, have proposals with one vital thing in common: rather than depend solely on what Secretary Ribicoff inaccurately calls "the time-tested mechanism of social security," which is not tested at all in medicare, they would use Federal tax exemptions and subsidies to individuals over 65 to expand coverage within private insurance facilities which already cover, one way or another, more than half the over-65's. British experience supplies a clue to what patients may prefer: in Britain there were only 70,000 private health insurance clients in 1949; now, after all these years of national health, there are a million.

Apparently Kennedy would just as soon have his issue as his bill. All right; let him have his issue. Let King-Anderson die and let's charge the Republicans to write a good medicare bill between now and next January. They can do it, because BOW, LINDSAY, and JAVITS indicate the way to get going.

Others Call for Investigation of Military Procurement Procedures

EXTENSION OF REMARKS
OF
HON. EARL WILSON
OF INDIANA
IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 19, 1962

Mr. WILSON of Indiana. Mr. Speaker, readers all over the country are learning of the mess in military procurement as a result of coverage given by newspapers at all levels. I have had letters from Connecticut and Massachusetts to California and Washington, as well as from many States in between. The letters unanimously support my contention that there is a scandal underlying military procurement that must be opened up for all to see.

One of the newspapermen currently reporting in detail on my study is Mr. Ralph deToledano, of King Features Syndicate, who has been writing a series of columns for the large number of newspapers he represents.

Mr. deToledano's third column on this vital subject is reprinted below and I commend it to my colleagues. I should also like to again state that I am available for answers to any questions on this matter that my colleagues might have. The field of military procurement is intricately technical and I fully realize this. During my 15-month study I have become quite conversant with the Alice-in-Wonderland world of red tape that winds around military procurement. When you understand it, you can see the mess that lies inside it.

Mr. Speaker, Mr. deToledano's third column on military procurement follows:

MORE ON THE PROCUREMENT MESS

(By Ralph deToledano)

If there is an angry Congressman today, it is EARL WILSON of Indiana. As a boy, he heard the saying, "Man is the only animal that can be skinned more than once and live." And he is finding truth in this old saw every day at the Pentagon. In eight cases which he can prove are representative, he showed that $30 million of the taxpayer's money was wasted through procurement of military hardware through "sole source" contracts rather than competitive bidding. These "sole source" contracts are to military procurement what the "sweetheart" contract is to labor relations.

I cited some of those cases in my last column. But there is another particularly interesting one, and this time I will name the companies involved as well as give the title of the Pentagon official responsible for what has been going on. Let me point out that to date, there have been no denials of Congressman WILSON's charges. The information he has used comes from the General Accounting Office of the Federal Government. The only Pentagon reaction has been to call in low bidders for Government contracts in order to "warn" them that they can't possibly deliver at the prices they have quoted.

The case I want to lay before you today concerns the AN/PRC 10, a hand-carried radio used by the Army Signal Corps. For more than 10 years, the Chief Signal Officer, U.S. Army Signal Supply Agency in Washington, has awarded contracts for this radio to Motorola, RCA, and Admiral—not permitting other electronics companies to bid. The price for the thousands of units purchased averaged about $400 each for the AN/PRC 10.

On June 16, 1961, the Chief Signal Officer finally awarded a contract on the basis of competitive bidding to the Model Engineering and Manufacturing Co. for 10,917 units—at a price of $269.51 per unit instead of the $400 previously paid. By that one change, the Government saved more than $1 million and, as Congressman WILSON told the House of Representatives, "also proved that the prices paid for 10 years had been exorbitant and that the taxpayer had been penalized to the extent of many millions of dollars in past sole-source procurement."

But that is not the end of the story. According to the watchdog General Accounting Office, the signal officer has since awarded new contracts for the AN/PRC 10 on a sole-source basis to Admiral at a unit price of $414—or a third more than what had been paid after competitive bidding. The award of this contract was made on the insistence of the Signal Corps that it was in the best interests of the United States. Model Engineering, which offered an unsolicited proposal at a far lower figure, was simply ignored.

Last week, the Signal Corps was negotiating still another noncompetitive contract for the AN/PRC 10 radio, brushing aside the clear intent of Congress that all defense contracts be open to bidding unless emergency factors are involved. With a set that has been in production for 10 years, however, no emergency can be claimed. Obviously, somebody in the Army Signal Corps has reasons for wanting to award the contracts to the manufacturers I have mentioned—even if the taxpayer must shell out millions of dollars extra.

I continue to pound away at these cases, because the millions squandered in individual sole-source contracts add up to billions. Congressman WILSON estimates that as much as $15 billion a year goes down the drain in this manner. His facts and figures come from the General Accounting Office, which, to my knowledge, has never played politics.

What is required, of course, is a full-scale congressional investigation. Enough evidence has been turned up already to indicate that it could be a tremendously important one. And if Congressman WILSON is right, the correction of the abuses he has noted could mean a balanced budget, without cutting down on vital defense spending.

Congress, however, seems reluctant to open this particular Pandora's box.

A Free Society Demands the Functioning of a Free Market

EXTENSION OF REMARKS
OF
HON. BRUCE ALGER
OF TEXAS
IN THE HOUSE OF REPRESENTATIVES
Wednesday, June 6, 1962

Mr. ALGER. Mr. Speaker, through the use of the power of his office and the manipulation of public opinion President Kennedy proposes to do what he is not authorized to do by law, control prices and, perhaps, wages. To date he has not approached labor with nearly the same vigor he has used in keeping business in line. Actually, he has no right to control either wages or prices without enabling legislation and for him to assume the power through devious methods or by coercion or intimidation is contrary to the public interest.

The following editorial written by Henry Hazlitt in Newsweek, May 28, 1962, warns of the danger to our free economy in the course President Kennedy insists upon following.

WAGES MUST BE FREE

(By Henry Hazlitt)

Successive statements have only increased the ambiguity of the President's attitude on price and wage control. "This administration," he told the convention of the United Auto Workers, "has not undertaken and will not undertake to fix prices and wages in the economy." That sounds clear enough, but he continued: "We can suggest guidelines for the economy, but we cannot fix a single pattern for every plant and every industry. We can and must under the responsibilities given to us by the Constitution and by statute and by necessity point out the national interest."

Mr. Kennedy denies that he either has or seeks power to fix prices or wages. But he did in fact force the steel industry to rescind its price increase in April. By his action the price of steel is now frozen for an unpredictable period. He denies that he either has or wants any legal powers over prices and wages—but he insists that he has "responsibilities" concerning them. How can one have "responsibilities" where one has no power? He declares that his responsibility is to point out "the national interest." Is he alone competent to say what the national interest is? Are price-fixing by anger and threat, and profit margins too thin to permit or encourage industrial growth, in the national interest?

PHANTOM "GUIDELINES"

There is a great deal of confusion on this central point. Even "conservatives" ask whether the President will be just as "tough" in holding down wages as in holding down prices. They forget that it would be enormously dangerous and disruptive for him to dictate either. Only free markets can coordinate the millions of prices and wages, and decide the everchanging price-wage-cost-profit-loss pattern of relationships that will maximize production and employment and provide goods and services in the proportions that best meet the demands of consumers. This incalculably complicated problem cannot be solved either by pat formulas or by vague generalities about "productivity" and "guidelines."

Last week I discussed here some of the falacies in the administration's notion that wage rises of 3 percent a year are noninflationary because of a supposed annual rise of that amount in man-hour productivity. The phrase itself is dangerously misleading. It is an ellipsis for man-machine-hour productivity. A power mower may enable your gardener to cut your lawn in half the time a hand mower would take. But if he demanded an increase in wages from $2.50 to $5 an hour, on the ground that his "man-hour productivity" had increased 100 percent, there would be no point or incentive in your buying the power mower.

DISRUPTIVE CONTROLS

This problem is commonly discussed as if it could be solved by some moral calculus. If new machines increase productivity, how "ought" the gains to be shared as among labor, capital, management, consumers, etc.? The problem cannot be solved in such pseudomoral terms. Only free markets can solve it. Free competition tends to give to workers, managers, and investors what each contributes to production. Productivity and competition decide not what everybody should get but what he can get. A movie star's salary is not fixed by what is fair but by what she brings in at the box office.

Why is Mr. Kennedy talking about price and wage control at all? First, because his administration is following dangerously inflationary spending and monetary policies. But to inflate, and then to try to prevent the consequences of inflation by freezing prices and wages, is the most disruptive of all policies. Secondly, the pressure for both price and wage control exists because some unions are making and winning unreasonable demands which threaten both industry and employment. They are making and winning these demands, however, because under existing laws an employer is legally forced to bargain with a specified union, while unions are allowed to use violence, intimidation, and mass picketing to prevent struck employers from trying to carry on their business.

The cure for all this is not still more Government intervention. It is to restore the conditions everywhere for competition and free markets.

Washington Post Endorses Food and Agriculture Bill

EXTENSION OF REMARKS
OF
HON. LESTER R. JOHNSON
OF WISCONSIN
IN THE HOUSE OF REPRESENTATIVES
Tuesday, June 19, 1962

Mr. JOHNSON of Wisconsin. Mr. Speaker, since coming to Congress 9 years ago, I have been a consistent reader of the Washington Post, which I consider to be an excellent newspaper. In the past, I have disagreed with the Post's position on farm legislation. However, upon reading the June 16 issue, I was delighted to see a fine editorial which details many sound reasons why the proposed Food and Agriculture Act of 1962 should be enacted into law. Under leave to extend my remarks, I would like to include that editorial in the RECORD:

THE FARM BILL

The administration's farm bill which will be up for action in the House of Representatives next week does not provide a perfect solution for all of the problems of agricultural surpluses, but it is a better solution than the existing farm program and the bill ought to be passed. No one who has opposed it has come up with an alternative that is more palatable.

Given the prevailing preference in this country for voluntary methods, the compulsory features of the bill are bound to cause some misgivings. Still, similar elements of compulsion are present in longstanding programs for the regulation of the production of peanuts and tobacco and seem to have caused surprisingly few complaints or difficulties. Farmers operating under these programs, beyond all doubt, prefer the controls to the alternative of unregulated production and marketing. There is good reason to think that producers of the basic commodities will come to have the same preference.

In essence, the bill proposes to lend farmers the power of the Federal Government in order to control the production of feed grains and wheat, instead of giving them the money of the Federal Government to accomplish the same purpose. This is a better solution than the existing program which has piled up surpluses until the costs of storing them exceed $1 billion a year. It is also preferable to support payments without any controls. And it is preferable to governmental withdrawal entirely. The justification for this policy, to the farmer, is simply that agriculture cannot expect to have both unlimited output and full price supports. The justification to the consumer is simply that the farmers of this Nation cannot be expected to feed urban people for less than reasonable costs of production in a society which, but for agriculture, has few prices determined solely by free market forces.

There are imperfections in the new program which no doubt can be corrected under experience. There ought to be explicit exceptions for tiny plots of controlled crops the output of which is consumed on the premises or used for experimental and not for marketing purposes. In practice, it is to be hoped, democratic practices may be made to prevail in the selection of State committees as well as in the county committees who will administer the various plans. Decisionmaking, in operation, should be as close to the farm as possible if we are not to run into the difficulties of central administration that plague highly centralized systems.

This bill will not eliminate the need for further farm legislation. Another Congress will need to deal with aspects of rural policy that this bill does not touch. Some problems of the dairy industry remain to be dealt with. Sooner or later there ought to be changes in the cotton plan that would eliminate the discrimination against domestic textile manufacturers inherent in the program now. Still, the bill before the House cannot be fairly reproached for failing to solve all farm problems immediately or for failure to solve some of them perfectly.

It is the best farm program now available or likely to be available and the measure ought to be passed, put into effect, and given a fair trial as an alternative to a program that has not worked to the satisfaction of producers, consumers, or the Government.

Sugar Act Amendments of 1962

SPEECH
OF
HON. THOMAS L. ASHLEY
OF OHIO
IN THE HOUSE OF REPRESENTATIVES
Monday, June 18, 1962

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1962, as amended.

Mr. ASHLEY. Mr. Chairman, I rise in opposition to H.R. 12154 because I do not think it is sound legislation and because I object vigorously to the manner in which the bill has been brought to the House.

Mr. Chairman, anyone who has been in the Congress any length of time knows that it is almost traditional for sugar legislation to be considered during the waning hours before Congress adjourns. It is under these circumstances, when Members are tired and anxious to return to their districts, that the Committee on Agriculture reports its bill. We also know, of course, that the sugar bill always comes to the House with a closed rule, thus precluding any opportunity to amend.

The bill we are no considering comes to the floor under much these same circumstances. We are told that the present act expires on June 30 and that chaos will reign unless the Congress promptly enacts the committee bill before us. Because many Members are confronted with local producers and processors for whom continuity of operation is essential, it is unmistakably clear that pressure is being inexorably exerted to gain approval of legislation which on its merits is subject to very real question.

I think it is time that the House register a sharp protest against this kind of legislating, if it can be called that, and I think the way to do it is to vote no on the proposal before us. I feel confident that the distinguished Committee on Agriculture, which has not been found wanting in alacrity, would manage to respond with a bill which more nearly meets the objectives of the administration.

With respect to the merits of the bill, Mr. Chairman, my chief objection is that it imposes an even tighter system of import quotas instead of working toward a freer foreign market for U.S. sugar purchases. The administration quite rightly has proposed that country-by-country quotas be abolished in favor of a global quota open to all friendly bidders. This is in line with a foreign economic policy which seeks to do away with economic zones of influence in the free world. The bill before us, however, would for the first time grant permanent quotas to 15 countries which hitherto have been given temporary quotas, thus closing the door to other friendly foreign bidders.

I also regard H.R. 12154 as a gargantuan giveaway to the 15 foreign sugar producers who have won committee favor. The U.S. taxpayer pays a premimum price of more than $50 a ton for each ton of sugar imported into the country—a total of more than $150 million a year. Although it is claimed that this premium price is necessary to secure adequate foreign supplies and a stable domestic sugar price, I find this explanation implausible. If any nation were to sell to a country other than the United States, with the exception of certain preferential market nations, all the sugar could be secured at the world market price—not the premium price which we pay to one and all, friend and foe alike. I think it would be better for the $150 million a year we now pay in premiums to go into a special Treasury fund to help underdeveloped countries, as the administration proposes, rather than into the pockets of some of our friends and others like Batista, Castro, and Trujillo who have benefited so enormously in the past at the expense of the American taxpayer.

After Black Monday

EXTENSION OF REMARKS
OF
HON. WILLIAM FITTS RYAN
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 19, 1962

Mr. RYAN of New York. Mr. Speaker, I wish to bring to the attention of my colleagues an article by Prof. Robert Lekachman which appeared in the New Leader on June 11, 1962. This article, entitled "After Black Monday," is an incisive commentary on the stock market situation and the state of the American economy. Professor Lekachman points out that the President must devote "more energy in educating a nation stupefied by 8 years of Eisenhower financial platitudes." The following article should stimulate all of us:

AFTER BLACK MONDAY
(By Robert Lekachman)

In the past, the stock market has been a moderately good guide to the future course of business behavior. Of course, the market has been far from infallible. In 1946, stocks lost a quarter of their value and business proceeded blithely to boom. And in 1929 general economic activity began its long decline well before the sensational calamities of the autumn. Hence today's optimists and today's pessimists, analyzing the spectacular gyrations of the recent black Monday and Tuesday, can buttress their emotions with appropriately selected bits of evidence drawn from previous stock exchange records.

For my part, two observations on the market seem tolerably sound. First, any speculative market is dominated much less by real events and the genuine soundness of specific securities than it is by the shadows of coming events and the intangibles of public psychology.

John Maynard Keynes had it right a generation ago when he likened the process of stock market investment to "newspaper competitions in which the competitors have to pick out the 6 prettiest faces from a 100 photographs, the prize being awarded to the competitor whose choice most nearly corresponds to the average preferences of the competitors as a whole; so that each competitor has to pick, not those faces which he himself finds prettiest, but those which he thinks likeliest to catch the fancy of the other competitors, all of whom are looking at the problem from the same point of view." As Keynes realized in 1935, the speculator dissipates more of his energies guessing what others are up to than analyzing the solid merits of the stocks he buys or sells.

Keynes described mental events. But—and this is my second generalization—events of the mind do influence the behavior of actual markets for machines, structures, and consumer goods. In the wake of stock market events, some companies have already announced that they will postpone the flotation of new stock issues. Although these same companies may speedily reinstate their plans, it is also possible that the psychological traumas of the market may actually reduce new capital investment.

Again, those small investors who on Monday, May 28, sold their shares out of fear and uncertainty may have lost no more than the paper profits of past speculations. But if they feel poorer and less cheerful because of these paper losses, they will postpone their purchases of new cars and furniture, substitute American vacations for European travel, and increase their savings rather than their expenditures. It is early to forecast either of these consequences of stock market drama. But similar results have flowed from like causes in the past.

Yet the market is more than a matter of psychology. What happens or may be reasonably expected to happen in the outside world, also, has its influence. Thus the high prices and the low yields of the bull market, whose demise was signalized by the events of last month, appeared to reflect expectations of renewed price inflation and hopes of national economic growth at rates higher than those of the fifties.

And inflation is one of the words which most dependably evokes public hypocrisy. Investors who publicly deplored the possibility of renewed inflation privately based their purchases of common stocks and mutual fund shares on the warming assurance that when prices in general rise security prices rise with them. Those who wagered on inflation were patient.

Not only has there been no inflation to speak of for several years, however: The Kennedy administration has also shown itself far more vigorous in actual action against price increases by business, and wage demands in excess of productivity gains by labor, than the Eisenhower administration ever dreamed was possible. In the ghastly language of nuclear strategy, Kennedy's sturdy response to the steel price rise made credible his threat of massive governmental retaliation against those who presume to breach the wage-price line. Consequently, those who were betting on inflation had ample cause to get out of the market.

What about those more credulous souls who swallowed the New Frontier rhetoric of vigorous economic growth and termination of the semistagnation of the last 8 or 10 years? Here, again, events and economic performance have been disappointing. Recovery from the 1960 recession has now been proceeding for approximately 16 months. If the post-World War II pattern of business cycle behavior persists, we can anticipate a new recession sometime in 1963, most likely early in that year.

Still, the prospects for a cyclical peak in the current year at anything like full employment of men and factory capacity is exceedingly slight. True, there are bright spots in the business picture: notably, the strength of auto sales, which promise to exceed 7 million passenger cars; the strong recovery of construction contract awards from their January and February dip; and an April increase in retail sales of 4 percent over January. But, overall, the present recovery appears no stronger than the unsatisfactory 1959 revival after the 1958 contraction. Business expenditures for new plants and equipment—a key measure of both cyclical recovery and long-term growth—have been increasing less rapidly than in past periods of business expansion.

The steel industry is operating far short of capacity. In the aftermath of steel settlement, inventory accumulation has slackened. Testifying before the House Ways and Means Committee late last month, Treasury Secretary C. Douglas Dillon all but conceded that gross national product (GNP) would fall short of the $570 billion rate predicted last January by the President's Council of Economic Advisers for December 1962. If GNP

falls short of this target, unemployment will be higher than the Council projected and the balanced budget which the President promised for the coming fiscal year will not be achieved.

By all odds the most disquieting feature of the present recovery has been the persistence of high rates of unemployment. Here is the painful record of the last 5 months:

Rate of unemployment, 1962

	Percent
January	5.8
February	5.6
March	5.5
April	5.5
May	5.4

The best that Seymour L. Wolfbein, the Labor Department's manpower expert, was willing to offer when he released the May figures was the hope that the drop in unemployment would continue. "But," he added, "you really can't tell." Clearly, if recovery continues during the remainder of 1962 at a rate no faster than that of the first 5 months of the year, unemployment will drop very little below 5 percent. If a recession then commences, as is quite possible, in the first quarter of 1963, we shall undergo again the dreary pattern of the last decade.

A new recession which begins when unemployment hovers around 5 percent would inevitably threaten to produce unemployment of 8 or 9 percent at its low point. The next recession also will be complicated by the continued drive toward automation and the large prospective additions to the labor force. The combination of this year's inadequate recovery and the glum prospects for 1963 is the major domestic challenge of the administration. Meeting it will present personal as well as political difficulties for the President.

The facts of the present situation are hostile to Kennedy's policy preferences. When unemployment is high, manpower training, and area redevelopment on the Kennedy scale are not likely to have a major reducing effect. What is the point of retraining when jobs are generally scarce? The investment tax credit, should Congress finally approve it, will also have a marginal impact. And the small deficit which expanded armament expenditure has caused has not sufficed to revive the economy.

President Kennedy therefore faces an unpleasant choice between enduring more of the semistagnation of the Eisenhower regime or educating the Nation and the Congress finally to the truths and necessities of modern economics. Europe, as the London Economist unkindly pointed out not long ago, has been more prosperous than the United States in recent years, even though countries like France and Italy and West Germany have been less attached to the moralities of balanced budgets than the United States.

It might have been better for the future of U.S. economic growth if Kennedy had spent less time promoting the Trade Expansion Act—beneficial as this innovation promises eventually to be—and more energy in educating a nation stupefied by 8 years of Eisenhower financial platitudes. Americans must learn that the Federal budget is a technical instrument of national policy and not a character-building exercise; that tax cuts and public spending can stimulate enduring recovery; that Government activity is equally as productive as private activity; that the national debt is not a national burden; that a strong economy is a better guarantee than fiscal orthodoxy of a sound balance of payments; and that, finally, "Keynes" is not a dirty word.

The President won his great office in part because the Republicans had failed to grapple with unemployment. He may lose Congress in 1962 unless he soon shows signs of doing better than his opposition.

Most of the Loaf

EXTENSION OF REMARKS
OF
HON. ROMAN C. PUCINSKI
OF ILLINOIS
IN THE HOUSE OF REPRESENTATIVES

Monday, May 28, 1962

Mr. PUCINSKI. Mr. Speaker, I should like to call the attention of my colleagues to an excellent editorial which appeared in the Washington Post on June 9.

It would be difficult to attempt any improvement on the complete logic demonstrated in this editorial regarding continued American assistance to the people of Poland.

Mr. Speaker, the editorial follows:

MOST OF THE LOAF

The Senate has flawed what has otherwise been a record of responsibility in approving a $4.6 billion authorization for the foreign-aid program. On the credit side, the Senate resisted the temptation to carve out the vitals of legislation that is as important as it is politically vulnerable. It would have been an exemplary performance if the Senate had not, on the debit side, succumbed to undeliberative recklessness in order to handcuff the President and prove that nobody in the upper Chamber is soft on Tito.

The worst harm was inflicted on Wednesday. The bill came to the floor with the wholehearted support of the Foreign Relations Committee, which submitted an exceptionally thoughtful report explaining the aims of aid. The report, which is excerpted elsewhere on this page, was all but ignored as first Senator PROXMIRE and then Senator LAUSCHE stampeded the Senate into affirming that no help would go to noxious Marxists.

Mr. LAUSCHE's amendment would have forbidden all aid to any countries "known to be dominated by communism or Marxism." The language is vague, silly, and unworthy, and the vote simply demonstrates that Karl Marx will lose any popularity contest in the Senate. Fortunately, after strenuous protest, the Senate relented to the extent of giving its implied consent to the sales of surplus food to Poland and Yugoslavia. This still would forbid the Executive to conclude any development loans that might be in the national interest, but is nevertheless preferable to the simplistic foolishness of the Lausche amendment.

Concerning the reasons for aid to Communist countries, President Kennedy spoke sensibly in his news conference, pointing out the need for flexibility and the importance of holding out a candle of hope to nations in the Communist camp. He might have quoted his own eloquent statement in the Senate during a comparable debate in August 1957:

"Poland may still be a satellite government—but the Poles are not a satellite people. To deny them help because they have not been able to shake off total Communist control would be a brutal and dangerous policy, either increasing their dependence on Russia, driving them into the slaughter of a fruitless, premature revolt, or causing them to despair of ever regaining their freedom."

Surely the same argument can be repeated today; in dealing with Communist countries, aid should be regarded as a carrot intended to encourage increased independence—and not as a stick to punish an entire people for circumstances they cannot control and that we are unwilling to alter by force. This has been the basic rationale of our help to Yugoslavia, and the program has had a large measure of success. Since 1948 three Presidents and every Secretary of State have deemed it in our interest to continue such help, as the Foreign Relations Committee report noted in a section the Senate chose to ignore.

Of course, there are frustrations and few Americans would try to defend such derelictions as the jailing of Djilas. But foreign policy is not a popularity program, and it does not advance national objectives when the Senate, in a visceral mood, singles out those foreign leaders it wishes to thwack on the pate. There is need for more effective White House leadership in restating again the goals of foreign aid. The House and Senate, in conference, ought to expunge the remaining crippling amendments that serve Mr. Khrushchev's purposes better than our own.

President and His Advisers Forced To Recognize Economic Truths

EXTENSION OF REMARKS
OF
HON. BRUCE ALGER
OF TEXAS
IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 6, 1962

Mr. ALGER. Mr. Speaker, although it is difficult to understand the President when he gets into the realm of economics because of his lack of knowledge in this field, the following excerpt from an article in the June 25 issue of U.S. News & World Report indicates that at least some of his advisers are being forced to recognize certain economic truths. I am happy to welcome the President and the group around him to a basic understanding of facts which many of us have been patiently trying to get across to him. Simple facts are that confiscatory taxes hold back business growth, that tax cuts can actually result in greater revenue because of the stimulation of business, that big spending is bad, that budget deficits should be made up from savings rather than through borrowing.

The excerpt reads as follows:

LATEST IDEAS OF KENNEDY'S POLICY PLANNERS

Taxes: Rates are so high, and the revenue system so restrictive, that taxes automatically brake business recovery, retard growth, prevent full employment. A complete overhaul is needed.

Tax cutting: Tax reduction, resulting in a large temporary deficit in the Federal budget, can be a "downpayment" on budget surpluses in future years. Reason: Lower taxes will stimulate growth, adding to the amount of private income to be taxed.

Spending: As a way of "priming the pump" of business, tax cutting is to be preferred over increases in Government spending. Tax cuts are popular, while large increases in spending add to fears of "big government."

Budget: Investments by Government—in mortgages, income-producing properties, other assets—now show up in the budget as "current expenditures." Budget methods need to be revised. Another idea: to base budget decisions not on actual revenue expected in the next year, but, instead, on how the budget would look in a year of full employment.

Deficit financing: Unbalanced budgets can be accepted for long periods if financed by borrowing out of savings of the public. However, if financed by borrowing from banks—thereby increasing the money supply—deficits add to forces working toward inflation.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

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HIGHLIGHTS: (see page 6)

SENATE

1. SUGAR. Sen. Long, La., urged support for the administration's sugar bill, stated that it was superior to the sugar bill passed by the House, and inserted Under Secretary Murpny's testimony before the S. Finance Committee in support of the administration's bill. pp. 10285-7

2. AGRICULTURE AND FORESTRY COMMITTEE voted to report (but did not actually report) the following bills: S. J. Res. 201 (with amendment), to extend the time by which a lease transferring a tobacco acreage allotment may be filed; S. 2859, to increase the number of new counties in which crop insurance may be offered each year; S. 3120, to grant the Secretary of Agriculture additional authority to permit the interstate movement of certain diseased livestock and poultry; S. 2121, to authorize the establishment and maintenance of Federal agricultural services to Guam; and S. 3152, to provide for the nutritional enrichment and sanitary packaging of rice for distribution in certain Federal programs. p. D493

3. NOMINATIONS. Received the nomination of John A. Baker to be a member of the CCC Board of Directors. p. 10358

4. COMMUNIST AGRICULTURE. Sen. Hruska reviewed failures of agricultural programs in Communist China, stated that "Experience in Communist China, as well as in Russia, proves conclusively that governments cannot farm," and inserted an article, "The Famine-Makers - a Report on Why China is Starving." pp. 10328-33

5. FOREIGN AID. Sens. Humphrey and Proxmire debated the merits of providing foreign aid to Communist countries, with Sen. Proxmire favoring legislation to restrict such aid, and Sen. Humphrey urging that the President be given wide discretion in the administration of the foreign aid program. pp. 10300-24

Sen. Goldwater criticized the "so-called Rostow paper on American strategy" in foreign affairs and inserted two articles on the matter. pp. 10276-80

6. COMMUNICATIONS. Continued debate on H. R. 11040, to provide for the establishment of a commercial communications satellite system. pp. 10338-42, 10347-49, 10351-56

7. RECLAMATION. The subcommittee on Irrigation and Reclamation of the Interior and Insular Affairs Committee approved for full committee consideration S. 114, to authorize construction of the Waurika reclamation project, Okla.; S. 405, to authorize construction of the Mann Creek reclamation project, Idaho (with amendment); and S. 3162, approving an amendatory repayment contract negotiated with the Quincy Columbia Basin Irrigation District. pp. D494

8. FOREIGN CURRENCIES. Both Houses received from Treasury a report on foreign currencies in the custody of the U. S., as of Dec. 31, 1961. pp. 10269, 10437

9. INTEREST RATES. Sen. Long, La., criticized the continued rise in interest rates and urged inquiry into the present situation regarding rates. p. 10336

10. LEGISLATIVE PROGRAM. Sen. Smathers announced that it was the intention of the leadership to lay aside the pending business on June 21 and consider bills for the disposition of certain materials from the national stockpile and to extend the Defense Production Act. pp. 10349-51

HOUSE

11. FARM PROGRAM. Continued debate on H. R. 11222, the proposed Food and Agriculture Act of 1962. pp. 10366-422

Agreed to the following amendments:

By Rep. McSween to limit the Secretary's authority to enter into land-use adjustment agreements to lands regularly used in the production of crops, including lands covered by conservation reserve contracts under the Soil Bank Act. pp. 10402-3

By Rep. Gathings to provide that agreements for the establishment of tree cover may not exceed five years. pp. 10404-5

By Rep. Bass, Tenn., 197 to 9, to prohibit the Secretary from building industrial parks or establishing private industrial or commercial enterprises, and deleting from the bill the provision directing the Secretary to develop a program of land conservation and land utilization for lands which are submarginal or not primarily suitable for cultivation. pp. 10405-6

By Rep. McSween to delete the provisions amending the Watershed Protection and Flood Prevention Act which would have increased the flood prevention capacity limitation from 5,000 acre-feet to 12,500 acre-feet, authorized the Secretary to assist local organizations in developing water supply for future use in watershed projects, clarified the Government's authority to provide engineering services for municipal and industrial water supply on a reimbursable

87TH CONGRESS
2D SESSION

H. R. 12154

IN THE SENATE OF THE UNITED STATES

JUNE 20, 1962

Read twice and referred to the Committee on Finance

AN ACT

To amend and extend the provisions of the Sugar Act of 1948, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: By striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the re-

lationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture. In order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) (1) for domestic sugar-producing areas, by

apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas;

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year

established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided,* That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202 (a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

"(b) for the Republic of the Philippines, in the amount of one million and fifty thousand short tons raw value of sugar.

"(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less

the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

"(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

"(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less six hundred and sixty-seven short tons, raw value, for 1962 and less thirteen hundred and thirty-two short tons, raw

value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba	52.84
Peru	7.04
Dominican Republic	7.04
Mexico	7.04
Brazil	6.69
British West Indies	3.52
Australia	1.76
Republic of China	1.58
French West Indies	1.41
Colombia	1.23
Nicaragua	1.06
Costa Rica	1.06
India	1.06
Ecuador	1.06
Haiti	0.88
Guatemala	0.70
Argentina	0.70
South Africa	0.70
Panama	0.53
El Salvador	0.35
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35
Mauritius	0.35

"(B) for the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen

hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph, shall be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. For the period ending December 31, 1962, and for the calendar year 1963 any such quantity as is authorized

for purchase and importation under this paragraph (4) shall be allocated on the following basis:

"(i)

"Country	Per centum
Republic of the Philippines	10
Peru	10
Dominican Republic	10
Mexico	10
Brazil	10
British West Indies	10
Australia	10
Republic of China	10
India	6.67
South Africa	6.67
Mauritius	6.66

"(ii) the Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production of sugar, and other pertinent factors, countries with purchase authorizations under subparagraph (i) of this subsection will fill them at such times as will meet the sugar requirements of consumers. If the Secretary determines that any country will not so fill its purchase authorization at such time as will meet the sugar requirements of consumers, he shall cancel it to the extent that he determines it will not be so filled, and he shall authorize for purchase and importation into the United States a quantity of sugar equal to the amount of the purchase authorization so canceled by revising the authorizations for pur-

chase and importation from the other foreign countries named in subparagraph (i) of this subsection by prorating such quantity among them. If the Secretary determines that any such country is unable to fill its revised authorization at such times as will meet the sugar requirements of consumers, he shall authorize the purchase and importation of such unfilled quantity from such foreign countries as he determines will meet the sugar requirements of consumers.

"(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States;

"(6) sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any

foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar;

"(d) whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

"(e) if a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in

any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

"(f) the quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary

determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202 (c) (3) (A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided,* That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202 (c) (3) (A) as he determines is required to fill any such deficit: *Provided,* That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202 (c) (3) (A) can fill all of any such deficit whenever the provisions of section 202 (c) (4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202 (c) (4), and whenever section 202 (c) (4) does not apply he shall apportion such

unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately following the words "sugarbeets or sugarcane" the following language ", limited in any year when proportionate shares were in effect to processings".

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of

this Act: *Provided,* That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rule-making requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them

by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided,* That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of

sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e) (1) None of the proration established for Cuba under section 202 (c) (3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204 (a) may be filled by direct-consumption sugar.

"(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202 (c) (3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202 (c) (3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204 (a) may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the

quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 8. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble non-sugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification

of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate

share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302 (a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302 (b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugar-

cane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him

not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested

for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301 (b) of this Act, notwithstanding any other provisions of section 301 (b)."

SEC. 12. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202 (c) (4), or apportioned in accordance with section 204 (a), whichever procedure is applicable.

"(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens

or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of

section 202 (c) (4), or apportioned in accordance with section 204 (a) whichever procedure is applicable."

SEC. 13. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "June 30" and inserting in lieu thereof "December 31" and by striking out "1962" in each place it appears therein and inserting in lieu thereof "1966".

SEC. 14. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 15. (a) Section 4501 (c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" in each place it appears therein and inserting in lieu thereof "June 30, 1967".

(b) Section 6412 (d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" and inserting in lieu thereof "June 30, 1967" and by striking out "March 31, 1963" and inserting in lieu thereof "September 30, 1967".

SEC. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 shall become effective upon the date stated in regulations implementing such section and published in the

Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

SEC. 18. There is hereby authorized to be appropriated to the President an amount equivalent to all sums collected through special fees on nonquota purchase sugar imported from the Dominican Republic between September 26, 1960, and March 31, 1961, and deposited in the United States Treasury, which sums the President shall return to the Government of the Dominican Republic at such time as (1) the President has been notified by the Government of the Dominican Republic that all privately owned sugar companies which paid any such fees have entered into an agreement with the Government of the Dominican Republic to receive in Dominican currency their shares of such fees, after payments of Dominican taxes and amounts due colonos, and to utilize such net amounts in a manner designed to further the economic or social development of the Dominican Republic; and (2) the President has been advised by the Department of Justice that it has received assurance from the persons paying such fees that all present or potential claims

against the United States based on the payment of such fees are thereby satisfied with no further liability to the United States.

Passed the House of Representatives June 19, 1962.

Attest: RALPH R. ROBERTS,

Clerk.

87TH CONGRESS
2D SESSION

H. R. 12154

AN ACT

To amend and extend the provisions of the Sugar Act of 1948, as amended.

JUNE 20, 1962

Read twice and referred to the Committee on Finance

On the contrary, the officers of the international unions have expended much time and effort to prevent local walkouts, to end them promptly when they do occur and to halt wildcat action of all kinds.

Secondly, in behalf of the entire trade union movement, AFL–CIO President George Meany gave President Kennedy a solemn pledge a year ago—a pledge not to halt work at any missile base. That pledge is binding not only on this department and its affiliated international unions, but on every one of their local unions. It places an obligation upon every individual member of the building trades unions.

On the strength of labor's pledge, President Kennedy created the Missile Sites Labor Commission with machinery both at the local level and the national level to remedy injustices, inequities or valid grievances. It doesn't take a work stoppage to make this machinery move. The whole purpose of the Commission is to convince everyone concerned that justice can be obtained promptly without resorting to extreme action.

In the case of jurisdictional disputes, this department and its affiliated unions have established, together with cooperating contractors, the joint board for the settlement of jurisdictional disputes. In creating this board, our unions agreed to submit disputes for adjudication on the merits without work stoppages. Surely that agreement, applicable to private construction, is far more binding in the case of missile sites.

The present situation is critical. Each building trades worker, each local union official, must understand his responsibility and carry it out faithfully. I appeal to you to do so. We have a big job to do. It cannot wait.

In the days and months ahead, it is up to us to strengthen America's main line of defense—its missile system. We've got to take into consideration the whole picture, not merely what's happening right under our noses. Our grievances on the job are minor compared to our main grievance against the Communist leaders who are threatening us and all freemen so boldly. Unfortunately, we can't get that problem settled by an impartial commission, as we can with our job problems.

Remember, if the Kremlin prevails we won't have to worry any more about anti-labor legislation. The penalty for work stoppages will be death at dawn before a firing squad.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed the bill (S. 2339) for the relief of George Ross Hutchins, with an amendment, in which it requested the concurrence of the Senate.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H.R. 1304. An act for the relief of Jung Hae;

H.R. 1488. An act for the relief of Clara G. Maggiora;

H.R. 2371. An act for the relief of Ali Khosrowkhah;

H.R. 2604. An act for the relief of Pietro Dattoli;

H.R. 2664. An act for the relief of Mrs. Irena Ratajczak;

H.R. 3000. An act for the relief of Lea Min Wong;

H.R. 3131. An act for the relief of Richard C. Collins;

H.R. 3501. An act for the relief of Mrs. Hasmik Arzoo;

H.R. 3922. An act for the relief of Mrs. Elizabeth G. Mason;

H.R. 4718. An act for the relief of Bogdan Kusulja;

H.R. 6987. An act for the relief of Maj. William R. Cook;

H.R. 7385. An act for the relief of Charles Waverly Watson, Jr.;

H.R. 7900. An act for the relief of Lt. (jg.) James B. Stewart;

H.R. 9186. An act for the relief of Eladio Aris (also known as Eladio Aris Carvallo);

H.R. 9593. An act to provide for the conveyance of certain phosphate rights to the Dr. P. Phillips Foundation of Orlando, Fla.;

H.R. 10459. An act to provide for the conveyance of 39 acres of Minnesota Chippewa tribal land on the Fond du Lac Indian Reservation to the SS. Mary and Joseph Church, Sawyer, Minn.; and

H.R. 12154. An act to amend and extend the provisions of the Sugar Act of 1948, as amended.

ENROLLED BILLS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 2186. An act for the relief of Manuel Arranz Rodriguez;

S. 2340. An act for the relief of Shunichi Aikawa;

S. 2418. An act for the relief of Elaine Rozin Recanati;

S. 2486. An act for the relief of Kim Carey (Timothy Mark Alt);

S. 2562. An act for the relief of Sally Ann Barnett;

S. 2565. An act for the relief of Michael Najeeb Metry;

S. 2895. An act to provide for the conveyance of certain lands of the Minnesota Chippewa Tribe of Indians to the Little Flower Mission of the St. Cloud Diocese; and

S. 2990. An act for the relief of Caterina Scalzo (nee Loschiavo).

HOUSE BILLS REFERRED

The following bills were severally read twice by their titles and referred as indicated:

H.R. 1304. An act for the relief of Jung Hae;

H.R. 1488. An act for the relief of Clara G. Maggiora;

H.R. 2371. An act for the relief of Ali Khosrowkhah;

H.R. 2604. An act for the relief of Pietro Dattoli;

H.R. 2664. An act for the relief of Mrs. Irena Ratajczak;

H.R. 3000. An act for the relief of Lea Min Wong;

H.R. 3131. An act for the relief of Richard C. Collins;

H.R. 3501. An act for the relief of Mrs. Hasmik Arzoo;

H.R. 3922. An act for the relief of Mrs. Elizabeth G. Mason;

H.R. 4718. An act for the relief of Bogdan Kusulja;

H.R. 6987. An act for the relief of Maj. William R. Cook;

H.R. 7385. An act for the relief of Charles Waverly Watson, Jr.;

H.R. 7900. An act for the relief of Lt. (jg.) James B. Stewart; and

H.R. 9186. An act for the relief of Eladio Aris (also known as Eladio Aris Carvallo); to the Committee on the Judiciary.

H.R. 9593. An act to provide for the conveyance of certain phosphate rights to the Dr. P. Phillips Foundation, of Orlando, Fla.; and

H.R. 10459. An act to provide for the conveyance of 39 acres of Minnesota Chippewa tribal land on the Fond du Lac Indian Reservation to the SS. Mary and Joseph Church, Sawyer, Minn.; to the Committee on Interior and Insular Affairs.

H.R. 12154. An act to amend and extend the provisions of the Sugar Act of 1948, as amended; to the Committee on Finance.

AMENDMENT TO THE SUGAR ACT OF 1948, AS AMENDED

Mr. LONG of Louisiana. Mr. President, in view of the fact that the message from the House has reached the Senate concerning the amendment of the Sugar Act, I wish to state that it is the judgment of a number of Senators who serve on the Committee on Finance that the bill proposed by the Kennedy administration for the amendment to the Sugar Act is far superior to the bill which was passed by the House of Representatives.

The statement by the Under Secretary of Agriculture before the Committee on Finance today I believe very thoroughly and convincingly spells out the vast superiority of the Senate bill over the House bill.

It is my judgment that the Committee on Finance will report a proposed amendment to the Sugar Act pretty much in line with what the administration has recommended.

As one who serves not only on the Committee on Finance but also on the Committee on Foreign Relations, I must say that the bill the House has sent to the Senate, in my judgment, represents the action desired by one or two people on a House committee which does not have jurisdiction over international relations, who wish to set their own foreign policy by attempting to parcel out quotas to various nations as they believe the sugar quotas should be divided. There are great bonuses available under the old Sugar Act concept.

It is my hope that the Senate will see fit to adopt the approach advocated by the Kennedy administration. I am pleased to be a cosponsor of that bill.

Mr. President, I ask unanimous consent that the statement presented by Under Secretary of Agriculture Charles S. Murphy to the Committee on Finance today—not the interrogatories, but the prepared statement—may be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

SUGAR ACT AMENDMENTS OF 1962

(By Charles S. Murphy, Under Secretary of Agriculture, before the Senate Committee on Finance, July 20, 1962)

Mr. Chairman and members of the committee, I am glad to have this opportunity to appear before this committee to testify on H.R. 12154, the bill passed by the House to extend and amend the Sugar Act. I would also like to refer to S. 3290, a bill which was introduced by 36 Members of the Senate for a similar purpose.

On May 16, the Secretary of Agriculture appeared before the House Committee on Agriculture and testified on behalf of the administration's recommendations for extension and amendment of the Sugar Act. The bill, as passed by the House, on June 19,

is substantially the same as the administration's recommendations, with respect to participation by American farmers in our sugar market. Accordingly, I will not dwell at any length upon these provisions—particularly since they are in accord, I understand, with the thinking of all segments of the domestic industry.

In essence, the offshore domestic areas, Hawaii, Puerto Rico, and the Virgin Islands, would be enabled to market all of the sugar they are likely to produce between now and the end of 1966 when the extension would expire. Mainland sugarcane production in Louisiana and particularly in Florida has expanded tremendously during the 3 most recent years when production was unrestricted. Because of the many new mills in Florida and the vastly expanded acreage it probably will be necessary to control mainland sugarcane production beginning in 1963. However, the more than 35 percent increase in the quota for mainland cane suggests that it will not be necessary during the life of the extension to curtail production below 445,000 acres. This is 85,000 acres more than 1961 production.

The bill provides that 63 percent of market growth or a little more than 100,000 tons a year would be available to the two mainland producing areas in ratio to their basic quotas, that is, about three-fourths to the beet sugar area and one-fourth to the mainland cane area. The approximate 25,000 tons a years expansion for cane will ease the annual acreage restrictions in Louisiana and Florida.

As to sugarbeets, the approximately 75,000 tons annual increase in quota on top of the 25-percent enlargement of that area's basic quota to 2,650,000 tons, plus the need to replenish inventories which have fallen below desirable working levels would be sufficient to provide for all the sugarbeets that reasonably may be expected to be processed in the existing sugarbeet factories and to provide for the entry of some additional production in new localities.

The bill provides that acreage not in excess of that needed to yield 50,000 short tons of sugar shall be reserved for growth and expansion of the beet sugar industry. In response to a question at the House committee hearing, the Secretary of Agriculture stated that it was his understanding that each year in which proportionate shares are effective the acreage required to produce 50,000 tons of sugar, or about enough for one new factory, would be reserved primarily for new localities of production. In the committee report on pages 6, 7, and 8, his statement is repeated and a system of priorities and selection is suggested at somewhat greater length.

Your committee may wish to provide additional legislative history or statutory language with respect to his administration of the new locality provision and you may be sure he will welcome all of the guidance you may care to give him in what, I know, will be a difficult administrative decision—making procedure.

I would like to direct my remarks now to that part of H.R. 12154 which is in substantial disagreement with the administration's recommendations, that is, the part that concerns the acquisition of foreign supplies.

The administration has recommended and S. 3290 provides that the quotas for foreign countries other than Cuba under the present act be continued and that the balance of our foreign requirements of 2,585,000 tons at the present level of sugar requirements be prorated to Cuba to become available to that country when we resume diplomatic relations. Importations of such sugar would be subject to an import fee of the amount needed to effect a domestic price which would fulfill the objectives of the act. It was further recommended that the quotas for foreign countries other than the Republic of the Philippines be subject to payment of a fee graduated on a rising scale. No change was recommended with respect to the quota of the Republic of the Philippines or the terms of importation from the Philippines.

The principal reason why the administration recommended the recapture of the quota premiums through the import fee and the so-called global quota are as follows:

1. It will increase Treasury receipts by about $130 million a year to begin with and by more as the years pass.

2. It will improve the U.S. balance-of-payments position by an equal amount.

3. It will provide better assurance of sugar supplies when and as we need them.

4. It will avoid discrimination by the United States among various nations with which it has friendly relations.

The Sugar Act was written 28 years ago to deal with the economic emergency then existing. It was tailored to meet the situation when the Philippines were part of the United States and Cuba was our only substantial foreign supplier of sugar.

The Sugar Act worked well during the prewar period and during the early postwar years. It benefited producers in the United States and the Philippines and lifted Cuba out of the depression. Moreover, while we had a cooperative government in Cuba that was able to supply this country with virtually unlimited quantities of sugar at any time, the system gave protection to domestic consumers as well as to producers.

With the advent of the Castro ogvernment and communism in Cuba we lost the very basis upon which the previous system of country quotas was established. Since late 1960 this country has tried to maintain the form of the old system by distributing Cuba's quotas among other foreign suppliers. Through good luck we have been able to obtain supplies for domestic consumers without disruption or serious price increases. The fact remains, however, that this has been more the result of good fortune than of good management. Reserve supplies in the individual foreign supplying countries have not been adequate to give American consumers real supply protection.

The sugar quota system has become a foreign aid measure in which we determine the amount of aid we give to a foreign country by its ability to gain access to our sugar market rather than by its demonstrated need for foreign assistance. In 1961 we imported sugar from more than 20 foreign supplying countries and paid them a total of over $200 million in excess of the world average price of sugar.

Let me say why the administration supports a price well above the competitive level for domestic producers and does not support the same high premium price for foreign suppliers, other than the Republic of the Philippines with which we have a trade agreement.

The degree of support afforded domestic producers is possible only because the act provides for production management. Without production adjustment, the demand to produce sugar crops would expand rapidly in this country. The act does not provide and it is obviously impossible to control production in foreign countries. Right now, production is being expanded in many countries of the world in the hope of obtaining a larger quota in the U.S. premium market. If this situation is permitted or encouraged to continue, the United States may soon be accused of promoting overproduction and of breaking international markets. Even now, it is impossible to satisfy the demands of foreign producers for a place in this market. In a few years the disappointment of those countries which do not receive the marketing opportunities they hope for will be further aggravated.

I would like now to comment on arguments that have been made against the so-called global quota.

1. It has been said the protection provided domestic producers for more than 25 years under the Sugar Act would be impaired unless the benefits to domestic producers (other than direct Government payments and tariff protection) be made available to foreign countries—29 of them as provided in H.R. 12154. I do not really understand this contention. The price and income protection for domestic sugar producers stems from section 201 of the act which requires the Secretary of Agriculture to make available a supply of sugar that will be consumed at prices that will not be excessive to consumers and that will protect the welfare of the sugar industry. That section provides further detailed guidance to assure the attainment of the general objective of fair and stable prices. The administration subscribes without reservation to the philosophy that American farmers should be enabled to participate with all other segments of our population in the abundance this country has to offer. The administration in drafting its recommendation provided assurance that when foreign sugar enters the flow of commerce in this country it would be priced at a level consistent with the terms of section 201 of the Sugar Act. The mechanism provided is simple and it is sure. All foreign sugar coming into this country must pass through a customs port of entry. Right now under the present Sugar Act, no quantity of sugar in excess of 100 pounds may be entered without the Collector of Customs having in his possession a quota clearance certificate issued by the Department of Agriculture. The administration proposes that such clearance certificates for foreign sugar other than from the Republic of the Philippines be issued only upon payment or binding agreement to pay an import levy approximately equal to the difference (after adjusting for freight and most-favored-nation tariff) between the world market price of sugar and a domestic price consistent with price objectives of section 201. The fee would be varied from time to time whenever necessary. Thus, after this sugar is cleared through customs, it is priced in conformity with the price of domestic sugar similarly situated.

2. A number of persons have expressed fears that permitting all friendly countries to compete on the basis proposed would not provide the security of foreign sugar supply obtainable under a system of individual country quotas. The validity that this argument may have had disappeared when Castro took over Cuba and reoriented the entire life of that country.

It is true enough that Cuba once maintained ample supplies of sugar throughout every month of the year to serve whatever surges might occur in the demand for sugar in the United States. But this is the past. No country today produces and has available supplies of sugar for export in the quantities that Cuba once had. In July 1960, when we discontinued sugar importations from Cuba, a number of our other supplying countries had recently accumulated surpluses, in some cases to embarrassing proportions. The two events happened to occur at about the same time. But in the last 2 years we have drained those surpluses away and current exportable supplies from those countries as well. For more than a year, our foreign supplies available under a strict allocation basis have been shipped hot from the mills. A natural disaster in any one of the countries, a strike or other economic emergency, or a miscalculation as to production potential interferes with the flow of sugar from that source. This can no more be corrected quickly than it can be foreseen. It disturbs the marketing of

domestically produced sugar which becomes available in quantities in the closing quarters of the year. It disturbs the price stability that is so desirable under this type of legislation. Summertime foreign supplies, when demand is heavy, are distressingly meager and last-quarter supplies are embarrassingly large when the mainland areas are in the midst of their heavy production.

The fact is that the insecurity and instability of our foreign supplies would be corrected under the administration's recommendation and consumers would have the security of supplies that they have not known in the last 2 years. In the global quota of more than 2,585,000 tons, all of the friendly countries could compete for a share of our market, and our refiners would have all of these sources from which to obtain their supplies as needed. If a stoppage occurs in the flow from one source, additional quantities are readily available elsewhere. The situation reverts in essence to what it was when Cuba maintained a large reserve and made it available when and as needed.

3. It is said that the economies of a number of our quota supplying countries are geared to the premium price of the American market and will suffer in making the adjustment to the world market price level, even if that market rises somewhat following the merger of our foreign requirements into the world market. It is true that the adjustment could better have been made 2 years ago than now. On the other hand, many of these countries had burdensome supplies of sugar at that time which were beginning to create severe economic problems. As a result of the Cuban windfall, those countries supplied many times the quantities of sugar they had previously been permitted to market in the United States. Aside from the Republic of the Philippines whose premium price status is unchanged under the proposed amendment, all foreign countries other than Cuba collectively supplied less than 300,000 tons of sugar annually to the United States prior to July 1960. Under S. 3290 which embodies the administration's recommendations, they would retain quotas somewhat larger than they had 2 years ago and the premium on this sugar would be reduced gradually until eliminated at the end of 1965. It is certainly better to begin eliminating the quota premium now than at any time in the future when if not eliminated, the sugar economies of those conutries would be even more firmly geared to our premium price. If this occurs and the Communist regime in Cuba falls, either there will then be little opportunity in our market for Cuba or an even more difficult adjustment will have to be made in the sugar economies of the other countries.

4. It has been said that the determination and imposition of a variable import levy by an executive department places too much power in that department. I am sure the members of this Committee know that the Sugar Act for many years has authorized the Secretary of Agriculture to estabilsh the total supply of sugar that can be marketed in this country. His direct actions with respect to sugar supply under this authority have had an indirect but very sure effect on prices—in fact, exactly the same effect as the determination of the amount of the variable import levy would have. S. 3290 provides adequate guidance to the Department, both as to the amount of the import fee to be established and the supply of sugar made possible by the total quotas including the so-called global quota.

5. It is said that the imposition of the variable import levy will be regarded as an unfriendly act by many of the countries that have supplied our sugar. This is inescapable but in time will be relegated to the past. On the other hand the experience of the last 2 years makes it very clear that our present sugar import policy wins us no friends. Regardless of the terminology used, such as "quota" and "nonquota" sugar, when a country receives an allocation for one period, it expects one of greater or equal size in each succeeding period. Misunderstandings have arisen because of the irregular nature of the allocations. Countries that have not received allocations have felt even more strongly that they have been subjected to discrimination. Failure to receive allocations and the receipt of allocations, alike, in the past 2 years have produced misunderstandings and in some cases ill will.

6. It has been said that buying our foreign requirements at the going price is contrary to our national policy of trying to improve the market for basic commodities, particularly those produced in Latin America. It is difficult to understand how the practice of buying sugar from selected countries at very high premium prices without ability to tailor production to market needs could contribute to sound and orderly markets for basic commodities. Conversely the opening of our market to all friendly cane sugar exporting countries would certainly improve the international marketing climate for sugar and because of the enlarged marketing opportunities support the price of sugar eligible for entry here that moves in world trade.

7. It has been said that current production costs are higher than the world price for sugar. This may be but, if so, a substantial contributing factor has been the hope of disposing of exports in the U.S. premium priced market. Furthermore, these hopes undoubtedly have given rise to production plans in high-cost producing areas. The most obvious solution for bringing prices up to a profitable level is to remove a device which can only in the long run bring about overproduction, disorderly markets, and unprofitable enterprises.

With respect to the importation of direct-consumption (refined) sugar, S. 3290 retains without substantial change the direct-consumption limitations of the present act except that the 375,000-ton limitation within the proration for Cuba would be reduced to 250,000 tons when we are in diplomatic relations with that country and eliminated completely at other times. This change is recommended to compensate the cane sugar refining industry for its percentage loss of the total sugar market stemming from the fact thtt refined beet sugar marketings have been increasing at a faster rate than total market growth.

S. 3290 which embodies the administration's recommendations with respect to the Sugar Act provides needed changes to bring the sugar program into conformity with the situation that now exists and to make it viable for the changes which may occur before the end of 1966.

Mr. Chairman, as you know, the House bill departs very substantially from the administration's recommendations with respect to imported sugar. H.R. 12154 increases the basic quota for foreign countries other than Cuba by about 1,085,000 tons, reduces the quotas reserved for Cuba when it returns to the Hemispheric Community of Nations to 1,500,000 tons and allocates that quota for the balance of this year and next year to 11 of the 29 countries which are granted basic quotas. The report on the bill indicates that Congress will review the temporary allocations of the Cuban quota after 1963.

The House bill further provides that the quota premium will continue to be paid on all foreign sugars.

There is one additional special provision of the House bill, not recommended by the administration, to which I wish to call attention. Section 18 of H.R. 12154 provides for the refund of more than $22 million collected as an entry fee on the nonquota purchase sugar which the act provided for the Dominican Republic during the last half of 1960 and the first quarter of 1961, a period within the Trujillo regime. In March of 1961, the act was amended to relieve the President of the requirement that he purchase nonquota sugar from any country with which we are not in diplomatic relations. No further non-quota purchase sugar was purchased from the Dominican Republic until this year by which time diplomatic relations had been resumed with the present Government of the Dominican Republic. No fee was collected at any time on the sugar which came into this country within the statutory quota for the Dominican Republic. Two of the companies, or their successors, who paid the entry fee on non-quota sugar in order to market it have brought actions in the court of claims to recover the fees that each paid. It is the opinion of the responsible legal authorities of the Government that the fees were properly and legally imposed and it is our feeling that the litigation should be permitted to proceed without legislative interposition.

For the above reasons the Department of Agriculture feels strongly that the program recommended by the Secretary of Agriculture in his letter of May 14, 1962, to the Vice President and the Speaker of the House constitutes a sound and desirable basis for amending and extending the Sugar Act. We would now like to renew those recommendations and urge that this committee amend H.R. 12154 accordingly.

FEDERAL COMMUNICATIONS COMMISSION JURISDICTION OVER INTERNATIONAL RATES

Mr. LONG of Louisiana. Mr. President, one of the great things about the the U.S. Senate is that there is the right of debate, the right to be wrong, the right to be proved wrong, and the right to set the record straight.

In the debate concerning the bill which is now the unfinished business of the Senate as a legislative matter, I am sure those of us who oppose the bill will make some misstatements from time to time. We shall be glad to correct them, insofar as that is the case. We seek to present the full facts to the Senate of the United States. Likewise, those who favor the proposed legislation will tend to make some incorrect statements from time to time.

On yesterday, in the course of my speech, I made the statement that the Federal Communications Commission has never undertaken to determine what the rates should be for oversea calls, for calls outside the boundaries of the United States, in the history of that Commission. For 28 years the Commission has never even attempted to do that job.

The Senator from Oklahoma [Mr. KERR] raised the question of FCC jurisdiction over international rates. It seemed to be his contention that the FCC has no jurisdiction to set rates for international communications services offered by U.S. international communications carriers. He was apparently willing to concede that the FCC might have the power to set a limit on the overall earnings of a U.S. international communications carrier but wanted to stop there.

The Senator from Oklahoma seemed to reason that the United States could not have such jurisdiction over inter-

national rates because of the fact that the messages involved terminated or were received in foreign countries and the communications activities within foreign countries were subject only to the jurisdiction of the foreign country involved.

With reference to the colloquy on this point, the following sections of the Communications Act of 1934 as amended are relevant:

SEC. 201(a) It shall be the duty of every common carrier engaged in interstate or foreign communication by wire or radio to furnish such communication service upon reasonable request therefor.

SEC. 201(b) All charges, practices, classifications, and regulations for and in connection with such communication service, shall be just and reasonable, and any charge, practice, classification, or regulation that is unjust or unreasonable is hereby declared to be unlawful.

These sections seem to indicate clearly that the FCC has jurisdiction over the rates charged by a common carrier engaged in foreign communications. A check with the Common Carrier Bureau of the Federal Communications Commission indicated that the FCC itself has never had any doubt as to its own jurisdiction over international rates.

SEC. 203. (a) Every common carrier, except connecting carriers, shall, within such reasonable time as the Commission shall designate, file with the Commission and print and keep open for public inspection schedules showing all charges for itself and its connecting carriers for interstate and foreign wire or radio communication between the different points on its own system, and between points on its own system and points on the system of its connecting carriers or points on the system of any other carrier subject to this Act when a through route has been established whether such charges are joint or separate, and showing the classifications, practices, and regulations affecting such charges.

Under this section the FCC requires a filing by all international carriers of their through routes. This is required even though a connecting carrier may be an entity owned and operated by a foreign government.

Apparently, the only reason why the FCC has not attempted more comprehensive regulation or, in fact, any regulation of international telephone rates, has been that it was lacking in financial and personnel resources and there may be a contributing factor; namely, that there has not been much interest in the regulation of these rates on the part of the Commission.

In the mind of the Commission, and based on the wording of the statute, it appears clear that the jurisdiction of the FCC which was questioned on the floor does in fact exist.

In other words, the FCC clearly has jurisdiction to regulate foreign and oversea rates, even though it has not done so. As chairman of the Subcommittee on Monopoly, I raised the question when the representative of the FCC was before the subcommittee. The answer given by the staff assistant, Mr. Strassburg, may be found on page 433 of the hearings, as follows:

Mr. STRASSBURG. I am Bernard Strassburg, Assistant Chief of the Common Carrier Bureau of the Commission.

What we did by this letter, Senator, we could have done at any other time in our history. We have the power to inquire into the oversea rates of the telephone company, unquestionably. We certainly have fixed rates time and time again for the international telegraph carriers in great detail.

Now, the reason that we have not in the past gone into a rate investigation, particularly with respect to the oversea rate classifications, are several, and one, I think, is that the rates which were established back in 1945, the present rates were established back in 1945, since that time the traffic has grown but it has been a very small part of the overall operations subject to our jurisdiction. And the Commission, with its limited time and personnel, has to pick and choose where it is going to focus its rate attention.

Now, we do, as Commissioner Craven and Chairman Minow indicated, keep a surveillance over the overall earnings, in services subject to our jurisdiction, of the Bell System. We do from time to time get into specific classifications of service.

We have just completed a 5-year investigation, a very comprehensive investigation, of the domestic private-line services of both A.T. & T. and Western Union. There, we were dealing with an important segment of service on which there were substantial reasons to look into it.

But as far as the oversea rates were concerned, it was a growing service. The service seemed to be developing under its existing rate structure and rate levels without being inhibited by those rate levels, and the time has come now, in light of developments as we stated in this letter to A.T. & T. that we are going to get into this thing and look precisely at their oversea costs.

So it is a matter of the choice and decision of the Commission as it goes along in light of a number of circumstances.

Mr. President, I ask unanimous consent to have printed in the RECORD a letter from Federal Communications Commission Chairman Newton N. Minow to Mr. F. R. Kappel, president, American Telephone & Telegraph Co.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

JUNE 30, 1961.

Mr. F. R. KAPPEL,
President, American Telephone & Telegraph Co., New York, N.Y.

DEAR SIR: The Commission by letter dated July 26, 1960, requested that you undertake a cost study of your oversea communication services to develop for these services the investment, expenses, and revenues associated therewith. In your reply of August 8, 1960, you recalled previous discussions with the Commission relative to your views of a worldwide cable system and stated that since there had been a number of developments in that field you would like to present to the Commission the current status of your cable plans before undertaking the requested cost study. Shortly thereafter you did make such a presentation to the Commission. You further stated in your reply that meanwhile you proposed to consider methods and procedures which might be appropriate for a study of your oversea operations.

The Commission has further considered this matter in the light of current developments and desires that you proceed at once to make a cost study that will reflect the current level of earnings on your oversea communication services. In this connection, arrangements should be made with our staff immediately for the purpose of working out some of the details of the cost study. As indicated in your letter of August 8, it is presumed that you have done considerable preliminary work in this connection since that time. Without in any way delaying the completion of this study, the Commission requests that, during the course of the study, the company give attention to the matter of formulating procedures that will readily provide this type of information whenever required.

In previous discussions of proposed cost studies your position, as we understood it, was that such studies would be of little value because of the rapidly changing complexion of oversea business occasioned by new cable projects and the advent of satellite communications. As you are aware, the Commission has never had before it data on which to properly evaluate the level of earnings on your oversea communication services. Such an evaluation can no longer be delayed. As we are sure you appreciate, postponement of further Commission consideration of this matter until the character of your oversea business stabilizes is out of the question since the point of time at which this is likely to occur cannot possibly be foreseen at this time. We have noted, for instance, the substantial amounts that Bell Laboratories is billing your company for satellite research and development and your applications for construction of new cable in the Pacific area.

We will appreciate your cooperation in promptly complying with this request.

By direction of the Commission:

NEWTON N. MINOW, *Chairman.*

Mr. LONG of Louisiana. Mr. President, I should like to read a portion of the letter which has to do with the controversy and question of fact involved as to whether the FCC has the power to regulate the rates of A.T. & T., insofar as those rates involve calls from this Nation to a foreign nation:

As you are aware, the Commission has never had before it data on which to properly evaluate the level of earnings on your oversea communication services. Such an evaluation can no longer be delayed. As we are sure you appreciate, postponement of further Commission consideration of this matter until the character of your oversea business stabilizes is out of the question since the point of time at which this is likely to occur cannot possibly be foreseen at this time. We have noted, for instance, the substantial amounts that Bell Laboratories is billing your company for satellite research and development and your applications for construction of new cable in the Pacific area.

Mr. President, I submit that there is no basis whatever for the contention that jurisdiction does not exist on the part of the Federal Communications Commission to regulate oversea rates.

The fact is that there has been a failure on the part of the Commission to exercise its function ever since the Commission was established. The failure is a 28-year failure—which is a long time to fail to do a job assigned to a commission by the Congress.

Mr. Johnson of the Rand Corp. estimated that the American Telephone & Telegraph Co. has made a 66-percent profit on its oversea operations. If a 6½-percent return on investment would be regarded as fair for a regulated public utility, a 66-percent profit works out to 10 times the rate of profit that could be justified for that oversea service alone. That is the kind of thing that has caused some of us to say, "If you are going to rely upon the FCC to see that oversea telephone rates are reasonable, and that the space satellite program would be properly regulated if we let it go under the control of the

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

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HIGHLIGHTS: Senate committee voted to report sugar bill. Sen. Proxmire urged passage of administration sugar bill. Rep. Dole criticized Secretary Feeeman's statement on defeat of farm bill. Rep. Gathings criticized defeat of farm bill. Sen. Fulbright commended passage of bill to expand crop insurance program.

HOUSE

EXPORTS. Passed with an amendment S. 3161, to provide for continuation of authority for regulation of exports. Tabled a similar bill, H. R. 11309, which was passed earlier by a vote of 339 to 0. pp. 10707-8, 10715-24

CONTRACTS. Passed with an amendment S. 3203, to extend the Defense Production Act of 1950. Tabled a similar bill, H. R. 11500, which was passed earlier by a vote of 327 to 0. pp. 10708, 10710-15

The Interior and Insular Affairs Committee reported with amendments H. R. 11405, to provide for the maintenance and repair of Government improvements under concession contracts entered into pursuant to the act of August 25, 1916 (H. Rept. 1908. p. 10741

FARM PROGRAM. Rep. Dole criticized the Secretary's statement referring to a secret meeting of the Republicans on the farm bill, saying, "I think it is high

time Freeman stops talking about secret meetings and gives some attention to the plight of the American farmer." p. 10702

Rep. Gathings criticized the defeat of the farm bill, saying, "The House defeated the feed grain and wheat control legislation but the decision was a negative one," and inserted an editorial, "Farm Defeat." p. 10727

4. BUDGET; APPROPRIATIONS. Received from the President proposed budget amendments for this Department to provide funds or other authority for the following purposes: (H. Doc. 447) (p. 10740)

Agricultural Research Service, $100,000 to develop a process, based on present pilot plant experience, for removing strontium 90 from milk on a full commercial plant scale; Soil Conservation Service, Watershed protection, $950,000 for river basin surveys; Civil defense activities -- Agricultural Marketing Service, $150,000 to strengthen food management planning activities; Acreage Allotments and Marketing Quotas, $300,000 for other civil defense and defense mobilization functions; Rural Electrification Administration, authority to transfer $55,000,000 from the rural telephone program to the rural electrification program; and a proposal to enable the Department to institute a pilot emergency food reserve program under the CCC price support and Section 32 surplus removal programs.

5. PATENTS. Rep. Roudebush discussed the development of the American patent system and said, "The patent system...still appears to be the most desirable method to induce a high rate of inventive activity without imposing centralized controls and directives upon individual inventors." pp. 10735-40

6. FOREIGN AID. The Government Operations Committee issued a report pertaining to commingling of United States and Communist foreign aid (H. Rept. 1907). p.10741

7. LOANS. Received from GAO a report on an audit of the Development Loan Fund (H. Doc. 448). p. 10740

8. PUBLIC WORKS. Received from the Corps of Engineers reports on a number of flood control and drainage projects. pp. 10740-1

SENATE

9. SUGAR. The Finance Committee voted to report with amendment (but did not actually report) H. R. 12154, the sugar bill. The "Daily Digest" states that the "Amendment would strike out all after the enacting clause and insert in lieu thereof a modified version of S. 3290, a similar measure." p. D514

Sen. Proxmire urged support for the administration's sugar bill in preference to the sugar bill passed by the House, stating that "it would be better to pass no new sugar legislation, rather than to adopt the country-by-country approach of the House bill." pp. 10782-3

The names of Sens. Neuberger, Young (O.), Gruening, Fong, Humphrey, Bartlett, Long (Hawaii), Engle, Hickey, Burdick, and Williams (N. J.) were added as cosponsors of S. 3457, to provide for the establishment of fair and reasonable minimum wage rates for workers employed on sugar farms. p. 10751

10. FORESTRY. The Interior and Insular Affairs Committee reported without amendment H. R. 9822, to grant national forest status to certain lands acquired under the exchange provisions of the Taylor Grazing Act (S. Rept. 1628), and with amendment S. 3112, to add certain lands to the Pike National Forest in Colo. and to the Santa Fe and Carson National Forest in N. Mex. (S. Rept. 1626). p. 10746

Sen Gruening criticized the action of the Geological Survey in declaring

Daily Digest

HIGHLIGHTS

Senate passed 1 year extension of corporate- and excise-tax rates.

House passed bills extending Defense Production Act, export control authority, and purchasing authority of Federal Reserve banks.

Senate committee approved Sugar Act amendments.

Senate

Chamber Action

Routine Proceedings, pages 10743–10780

Bills Introduced: Seven bills and three resolutions were introduced, as follows: S. 3467–3473; S.J. Res. 203; and S. Res. 354–355. Pages 10746–10747

Bills Reported: Reports were made as follows:

S. 405, authorizing construction of the Mann Creek Federal reclamation project, Idaho, with amendments (S. Rept. 1620);

S. 114, authorizing the construction of the Waurika reclamation project, Oklahoma, with amendments (S. Rept. 1621);

S. 3089, extending time for selection of public lands for conveyance to State of Nevada (S. Rept. 1622);

S. 3174, to provide for the termination of the Ponca Tribe, Nebraska, with amendment (S. Rept. 1623);

S. 3342, approving order of Secretary of the Interior canceling irrigation charges against non-Indian-owned lands within the Klamath Indian irrigation project (S. Rept. 1624);

S. 2973, to revise the boundaries of the Capulin National Monument, N. Mex., with amendment (S. Rept. 1625);

S. 3112, to extend the boundaries of the Pike National Forest, Colo., and the Carson and Santa Fe National Forests, N. Mex., with amendment (S. Rept. 1626);

S. 2530, a private bill (S. Rept. 1627);

H.R. 9822, to grant National Forest status to certain lands acquired under the exchange provisions of the Taylor Grazing Act (S. Rept. 1628); and

S. 2020, authorizing Secretary of the Navy to make gas available on the South Barrow gasfield, Point Barrow, Alaska, to the civilian community of Point Barrow, with amendment (S. Rept. 1629). Page 10746

Rollcall Votes: By unanimous consent, it was ordered that any rollcall votes ordered on Tuesday, June 26, will be put over until Wednesday, June 27. Page 10743

Funeral of Senator Case: It was announced that the Vice President has appointed the following Senators to be members of the funeral committee for the late Senator Case (South Dakota): Senators Mundt, Mansfield, Dirksen, Hickenlooper, Young (North Dakota), Stennis, Carlson, Beall, Hruska, Curtis, Cooper, Cannon, Burdick, Boggs, and Miller. Page 10819

Tax Rate Extension: Senate passed with amendments (motion to reconsider tabled) H.R. 11879, extending for 1 year the existing normal-tax rate and certain excise-tax rates, after taking the following actions on amendments:

Adopted: All committee amendments en bloc, which were thereafter considered as original text for purpose of further amendment; and

Rejected: Javits amendment providing for repeal on July 1, 1962, instead of October 1, 1962, of tax on transportation of persons other than by air; Bush amendment to permit railroads which are in bankruptcy to be relieved of the 10-percent transportation tax after June 30, 1962; and McCarthy amendment to repeal the communications tax effective July 1, 1962.

Senate insisted on its amendments, asked for conference, and appointed as conferees Senators Byrd (Virginia), Kerr, Long (Louisiana), Williams (Delaware), and Carlson.

Pages 10780, 10801–10808, 10810–10822, 10825–10826

Reserve Components: H.R. 8773, to increase lump-sum readjustment payments to reservists who are involuntarily released from active duty, was passed with committee amendment. Pages 10826–10828

Armed Forces Travel Expenses: Senate passed without amendment and cleared for President H.R. 7723, to amend the Career Compensation Act of 1949 by increasing per diem rates and to provide reimbursement under certain circumstances for actual expenses incident to travel.

S. 2554, companion bill, was indefinitely postponed. Page 10828

Flathead Indian Irrigation Project: Senate passed with committee amendment S. 1912, increasing authorizations for completion of the Flathead Indian irrigation project, Montana. Pages 10828–10829

Colombian First Lady: Senate adopted immediately upon its submission S. Res. 355, honoring the President of Colombia and his wife, the Honorable Señora Guillermo Valencia, now visitors to the U.S., and expressing wishes for her early recovery from hospitalization.

Page 10828

Carolina Power: H.R. 3840, to convey certain real property of the U.S. to the Carolina Power & Light Co., was passed with committee amendment. Page 10829

Armed Services: Senate took up H.R. 11221, to increase quarters allowance for armed services personnel.

Pages 10829–10830

Legislative Program: Majority leader announced that the next major bills to be considered by Senate, subject to their reporting, are: H.R. 12154, Sugar Act extension (approved by Finance Committee today); H.R. 12061, Renegotiation Act extension (not yet reported); H.R. 11990, debt ceiling increase (not yet reported); and H.R. 10606, to extend and improve public assistance and child welfare programs under social security (reported and to be considered later in week). Pages 10743–10744

Confirmations: One Air Force and numerous Navy and Marine Corps nominations were confirmed.

Page 10831

Nomination: One Army nomination was received.

Page 10831

Program for Tuesday: Senate met at noon and adjourned at 5:30 p.m. until noon Tuesday, June 26, when it will continue on H.R. 11221, increasing allowance for Armed Forces quarters. Page 10831

Committee Meetings

(*Committees not listed did not meet*)

ALASKA RAILROAD

Committee on Commerce: Committee held hearings on S. 2413, providing for the economic regulation of the Alaska Railroad under the Interstate Commerce Act, with testimony from Harold Seidman, accompanied by Phillip S. Hughes, both of the Bureau of the Budget; Rupert L. Murphy, Chairman, Interstate Commerce Commission; and John A. Carver, Jr., Assistant Secretary of the Interior, who was accompanied by Edwin M. Fitch, assistant to the general manager of the Alaska Railroad.

Hearings were recessed subject to call.

AID TO OYSTER PRODUCERS

Committee on Commerce: The Merchant Marine and Fisheries Subcommittee held hearings on H.R. 7336, providing supplementary financial assistance to oyster producers in distressed oyster production areas, with testimony from Harold E. Crowther, Bureau of Commercial Fisheries, Department of the Interior; and William F. Hildenbrand, legislative assistant to Senator Boggs.

Hearings were adjourned subject to call.

SUGAR ACT AMENDMENTS

Committee on Finance: Committee, in executive session, ordered favorably reported with amendment H.R. 12154, proposed Sugar Act amendments of 1962. Amendment would strike out all after the enacting clause and insert in lieu thereof a modified version of S. 3290, a similar measure.

INVESTIGATION—AGVA

Committee on Government Operations: The Permanent Subcommittee on Investigations resumed its inquiry into the operations and activities of the American Guild of Variety Artists, having as its witnesses Herbert Robins, a Miami Beach hotel owner; Jerry Baker, branch manager of AGVA, Miami; Russell Swann, New York City; Marjorie Coat, national director of the sick and relief fund, AGVA; and Jack Bright, an AGVA official.

Hearings continue tomorrow.

SMALL BUSINESS MANAGEMENT

Select Committee on Small Business: Committee began a series of hearings on management problems of small business, with especial emphasis on such problems of very small firms with limited financial resources. Witnesses heard were William Duvel, Dun & Bradstreet; John E. Horne, Administrator, Small Business Administration; Dean Clive Dunham, University of Mississippi; Richard M. Oddie, Bank of America; and Harold B. Maynard, the H. B. Maynard Co., Pittsburgh, Pa.

Hearings continue tomorrow.

House of Representatives

Chamber Action

Bills Introduced: 18 public bills, H.R. 12277–12294; 4 private bills, H.R. 12295–12298; and 2 resolutions, H.J. Res. 751 and H. Con. Res. 499, were introduced.

Pages 10741–10742

Bills Reported: Reports were filed as follows:

Nineteenth report by the Committee on Government Operations entitled "Commingling of United States and Communist Foreign Aid" (H. Rept. 1907);

H.R. 11405, providing for the maintenance and repair

The New York Stock Exchange has reported that more than 15 million Americans own listed stocks. An untold number of stockholders own equities in pension funds accrued through management-labor contracts and relations. More than 50 percent of all American financial resources is undoubtedly in stocks; and in the past 6 months approximately $150 billion have been destroyed in security values, according to Barron's Financial Weekly of June 18, 1962.

Mr. President, I ask unanimous consent to have the article printed at the conclusion of my remarks.

There being no objection, the article was ordered to be printed in the RECORD.

(See exhibit 1.)

Mr. WILEY. Mr. President, it is time to act when brokers and banks throughout the country are sending out mimeographed collateral calls for cash or catastrophe to borrowers who have invested in the security of America.

How many employees in industry have been informed that large percentages of their pension funds accumulated over years of employment have vanished?

A market crash retards capital improvements, it creates unemployment, it even destroys our international world prestige.

The solution is not simple. It calls for commonsense and experience. Dun and Bradstreet, in reporting on the increase in business failures last week, stated that the main reason for failure is incompetence. The second reason is a lack of managerial experience. These two factors claimed 41.9 percent and 36.1 percent, respectively, of all 1961 Canadian business failures as well, according to Financial Post, June 16, 1962. It will do no good to attempt to create confidence in business by mouthing words alone or by threatening retaliation. It is time for action in the forms of positive approaches to encourage business and industry to resume their forward progress toward increased production and world trade.

Let us take immediate steps to revise with prudence the rules and regulations governing investment in America. Let us provide immediate tax incentives now to business and industry so that we can all tool up and increase production by bringing wider distribution of American produce to all our citizens and the underprivileged in the rest of the world.

These are not simply my ideas; they are the ideas of laboring men and businessmen. Industry and labor should concentrate on increasing production, not decreasing it. This is no time for strikes.

The American Government must concentrate on improved distribution of our gross product, with the American Constitution as a guide—and it is a guide—with its checks and balances; yes, with its division of power into four parts—the executive, the legislative, the judicial, and, let us not forget, the residuum of power back in the States. I repeat: The Constitution is a guide which provides for the promotion of the general welfare and the securing of the blessings of liberty to ourselves and our posterity.

To suggest that only speculators are being hurt is ridiculous. Fifteen million Americans own stock. Senators own stock. They have seen stock prices go down, in some instances, 50 percent. So to suggest that only speculators are being hurt is ridiculous. To delay the necessary correction of investment and collateral rules is cruel and senseless. What do we mean? Some of the rules require collateral of 70 percent at the time stock is bought. Now that has all been wiped out. People have had to sell their stock. We can get the economy rolling forward immediately with action and the restoration of a favorable economic climate.

A search must begin immediately not for vacant buildings to establish relief distribution centers but for potential areas toward which increased distribution of our gross national product can be channeled. Only by improving commerce can the Nation flourish generally, business improve, and employment increase. Let us now get our Yankee ingenuity back to work.

Yankee ingenuity has always been adequate. The trouble is that much of it, apparently, has not been active. There is too much faith that Uncle Sam will do the job. But something more than Uncle Sam is required. Of course, it is necessary that Uncle Sam make a change in the rules. But then we must have faith in our great country, with its great potentialities. There must be faith on the part of the American people, many of whom have seen the value of their stock depreciate.

EXHIBIT 1

FAREWELL TO RECOVERY?—THE NATION MAY BE FACING A BUSINESS DOWNTURN

In any future chronicle of Wall Street—to be written, one may hope, by economic scholars more clear-eyed than those with which the Nation lately has been blessed—a man named Edward M. Gilbert, former president of the E. L. Bruce Co., will command a lengthy chapter all his own. Once familiar only to avid readers of the business and society columns, Mr. Gilbert, who decamped for Brazil last week amidst a spate of ugly charges, now belongs to history. For his troubles sprang directly from the drastic decline in the value of his holdings in Celotex Corp., the bulk of which he had acquired with borrowed money. In order to protect his equity in a plunging market, it appears, the hard-pressed Mr. Gilbert tapped his own corporate till for roughly $2 million. Literally overnight, as a consequence, the erstwhile tycoon became a fugitive from justice.

In the process, however, Edward Gilbert has also carved out an enduring niche in the annals of finance. For the staggering shift in his fortunes, while more dramatic than most, serves to point up the explosive and far-reaching impact which the crash in stocks is likely to have on the rest of the country. The United States has suffered a severe jolt to its pocketbook, the full magnitude of which remains to be seen. What is growing painfully clear is that the effects will not be confined to Wall Street. On the contrary, despite an uninterrupted flow of reassurance from high places, as well as an impressive array of dated bullish statistics, signs of impending trouble are multiplying fast. Calling a downturn in production and trade is a chancy and thankless proposition. Nonetheless, the evidence suggests to Barron's that the short-lived business recovery—like the ill-fated Kennedy bull market—has gone by the board.

Such a view, to be sure, currently is shared by few. To judge by the record, most observers, in and outside of Government, remain optimistic on the business outlook. In support of their stand they can cite some imposing figures, including a continued rise in personal income; a probable recordbreaking second-quarter gross national product; peak industrial output in May; high employment and brisk automobile sales. Thus, the Secretary of the Treasury told a Senate committee last week that "the economy is still moving ahead" and will continue to do so at least through next spring. Added Mr. Dillon, with his customary vast aplomb: "There are no signs of a recession now."

From the seats of the mighty, as the United States has learned more than once to its cost, the visibility tends to be low. Mr. Dillon is likely to prove another case in point. For even as he voiced his unruffled forecast of continued fair weather, the economic skies were beginning to cloud. Last week, for example, the Department of Commerce disclosed that in the first quarter of 1962, total corporate profits, as well as manufacturers' profit margins, failed to match those of the previous 3 months. Commerce also noted a 1-percent decline in retail sales for May. Furthermore, the latest weekly figures on production and trade are scarcely reassuring. For the second week running, freight carloadings in the 7 days ended June 9 dropped below the comparable year-ago levels; in the same week department store sales scored only a 1-percent gain over 1961, the poorest showing of the year. Finally, although leaders of industry remain outwardly cheerful, their purchasing agents are dour. A business confidence index compiled every month by Purchasing magazine slipped in June to a 17-month low.

While inconclusive, the scattered data cited above have an ominous look. Nor is one reassured by a more complete profile of the latest business cycle, provided by the authoritative National Bureau of Economic Research. In its annual report, dated June 1962, the bureau compared the course of the recovery which began in February 1961 with that of its postwar predecessors. By each of six yardsticks—gross national product, industrial production, nonfarm employment, personal income, retail sales and corporate profits—the 1961–62 upturn stands revealed as more or less seriously laggard. Since January, the business pickup thus has fallen short not merely of inflated official yearend predictions, but also of the postwar average. As to the future, NBER is discreetly mum. Nonetheless, it is worth noting that out of 29 so-called lending indicators, roughly half reached their highs last fall and winter.

Even prior to Black Monday, then, the recovery was halting and uneasy. To its burdens has now been added the weight of a major decline in the stock market, which, to change the figure of speech, has been called the only barometer capable of creating its own weather. True enough in the past—three out of four crashes in the 20th century have been followed by slumps in business activity—the metaphor, even in a day and age which would like to reject old shibboleths, slogans, and myths, remains uncomfortably timely. Nor is it hard to see why this should be so. The New York Stock Exchange has estimated that the United States boasts over 15 million shareholders. According to the Federal Reserve Bank of Philadelphia, stocks accounted for nearly half of the public's financial resources

at the end of 1959 (and doubtless a higher percentage 2 years later). Finally, in the past 6 months—and especially in recent weeks—the plunge has wiped out an estimated $150 billion in security values. While much of this sum may have existed only on paper, people are unmistakably poorer.

The impact on business is apt to be equally profound. On this score most observers dwell on the blow to confidence, a psychological element in corporate decision making which cannot be ignored. A falling stock market, however, also has a direct effect upon corporate activities. In a few cases, like that of the unfortunate Mr. Gilbert, it suddenly lays bare an overextended financial position; throughout industry, by definition, it shrinks equity values. On both counts it thereby tends to make lenders more tightfisted. At the same time, of course, a market crash dries up the sources of risk capital. Since the turn of the year, according to a recent estimate by the SEC, registrations covering approximately $500 million worth of prospective new issues, filed by 130-odd companies, have been withdrawn. Finally, as Alan Greenspan has demonstrated so persuasively, "a fall in stock prices * * * will induce a fall in the ratio of present worth of discounted expected future earnings to newly produced capital," and, in consequence, a decline in industry's propensity to invest. Sooner or later, in short, both consumers and businessmen feel the pinch.

That painful day may now be close at hand. In the circumstances it is idle to pretend, as Washington has done, that nobody has been hurt but speculators, or that, as one inspired Wall Streeter put it the other evening, the market has completed a healthy readjustment. If the past be any guide, difficult times lie ahead. Reasonable men may differ as to how to deal with adversity. However, the first step surely is to recognize that it exists.

NEW DECLARATION OF FREEDOM URGED

Mr. KEATING. Mr. President, earlier this week the House of Representatives passed a joint resolution (H.J. Res. 717) declaring January 1, 1963, as Emancipation Proclamation Day, to commemorate the 100th anniversary of President Abraham Lincoln's freeing of the slaves.

Thereafter, there was introduced in the Senate a joint resolution (S.J. Res. 200) providing that a Century of Freedom Committee be appointed by the President, in order to prepare appropriate national ceremonies and to assist State, civil, patriotic, hereditary, and historical organizations in their local celebrations. This is, of course, an ideal time to reemphasize and give wider public knowledge to the accomplishments in the past century of American Negroes.

At the same time, this would also be an excellent occasion on which to reaffirm the inalienable rights of all Americans of every race and creed. Last year I submitted a resolution (S. Con. Res. 45) requesting the President to issue a declaration of freedom in commemoration of the Emancipation Proclamation. I wish to reiterate that idea. What better opportunity could there be for the leader of our country to step forward proudly to confirm the individual rights of American citizens than in anniversary of an event already recognized in both this country and in the rest of the world as one of the great triumphs of human rights. In this period in our struggle with communism, a system which subordinates human rights to the rights of the state, it would be desirable and highly effective to restate our faith in human dignity and freedom.

An American declaration of freedom would echo around the world. Just as the Emancipation Proclamation stirred public opinion in England toward the Union while official consensus in England was friendly to the Confederacy, so a new declaration could influence today's populations, particularly those of the emerging nations. These are people whom we must reach. As Americans, we are proud of our heritage. We must take every opportunity to remind the people of the world, as well as the cross burners and racists in our own land, of this heritage and of our continuing dedication to justice and liberty for all.

It may surprise some to learn that the Emancipation Proclamation was not universally acclaimed when it was first promulgated. The antiadministration press was quick to heap criticism on Lincoln. Northern and southern critics alike responded, from the New York Herald—which called the proclamation "unnecessary, unwise, ill-timed, impracticable, and outside the Constitution"—to the Richmond Examiner—which called it the "most startling political crime and the most stupid political blunder known in American history." The Ashland, Ohio, Journal called Lincoln a "tyrant and a usurper." In the 1862 gubernatorial election in New York, the soon-to-be-enacted emancipation was used by supporters of Seymour in their efforts to defeat the Republican candidate, Wadsworth.

Fortunately, Lincoln was not dissuaded by these pressures, even though on two separate occasions he was tempted to modify or forget the whole plan. Instead, he announced it several months in advance, and allowed time for the public to adjust to the idea. By setting the proclamation at the New Years' date, he was able to capture the holiday spirit and to encourage the notion that it was a time to begin new things.

We are again at such a crossroad. There are no slaves to be freed and no civil wars to be fought, but throughout the world freedom is faced with very real challenges against which the strength of America is dedicated.

Important advances in civil rights have been made in the century since the emancipation; but, as all of us know, there is much still to be done. No American citizen an rest until every other person is treated with equal dignity and the goal of liberty for all is attained. Adoption of my resolution would help assure that the 100th anniversary of the Emanipation Proclamation will be more than a glance to the past. I urge that we use this anniversary as the occasion for a new declaration of freedom to serve as a definition for the future.

(At this point Mrs. NEUBERGER assumed the chair as Presiding Officer.)

ADMINISTRATION SUGAR BILL SHOULD REPLACE HOUSE BILL

Mr. PROXMIRE. Madam President, this morning's Washington Post carried an editorial entitled "Sugar and Spite." It is a sharply worded but entirely justified critique of the sugar legislation proposed by the House Agriculture Committee, and passed last week by the House of Representatives. As in the past, the timing of the House action was such as to leave the Senate only a very few days in which to consider this legislation, which has important implications for domestic sugar growers and foreign sugar interests, as well as for the sugar consumers.

Earlier this year, the administration proposed a bill which provides a fair, reasonable solution to the sugar problem. Unfortunately, the House rejected the most important features of the administration bill, in favor of a cumbersome legilsative vehicle that allocates U.S. sugar imports among a large number of countries, with no apparent logic except the varying pressures brought by well-heeled sugar lobbyists.

The present Sugar Act expires on June 30. In my opinion, it would be better to pass no new sugar legislation, rather than to adopt the country-by-country approach of the House bill. As a form of foreign aid, this allocation of the sugar quota has little to recommend it. Certainly it would be far better to make cash donations from the U.S. Treasury to the countries involved, rather than to parcel out subsidies to the owners of sugar operations in these nations, whose activities may have little or no relation to the longrun development aims of our foreign-aid programs.

The administration sugar bill is a good one. It has wide sponsorship in the Senate, and there is every indication that it will be approved in the Finance Committee. I urge that it be adopted, and that the House version be rejected emphatically. My concern about this will, of course, extend to any "compromise" adopted in the House-Senate conference which is likely to take place. So far as this Senator is concerned, there can be no compromise between earmarked subsidies to foreign producers and the administration bill.

I ask unanimous consent that the editorial from this morning's Washington Post be printed at this point in the RECORD. I also ask that an article by Jack Steele, which appeared in the Washington Daily News on Saturday, be printed at this point in the RECORD. Mr. Steele's article reports on the substantial fees which would be earned by Washington lobbyists for oversea sugar interests if the House bill were enacted.

There being no objection, the editorial and the article were ordered to be printed in the RECORD, as follows:

[From the Washington Post, June 25, 1962]

SUGAR AND SPITE

There are welcome sounds in the Senate of resistance to the highhanded manner in which the House Agriculture Committee drafted the sugar legislation that went whizzing through the lower Chamber with accustomed speed. Members of the Senate Finance Committee, where hearings concluded Saturday, are bristling with irritation at the tactics of the House group, which has a habit of dumping complex sugar legislation into the hopper when there are only days left before the existing law expires.

"This is the worst sugar bill I have ever seen," was the tart remark of Senator BYRD, chairman of the Finance Committee. Ironically, it was passed by the House immediately before the farm bill was killed amid cries of "regimentation." Yet, as Senator GORE noted, the House saw no such defect in a sugar bill that imposes the most stringent controls in order to protect producers. It all seems to depend on whose quota is being fixed.

As Senator FULBRIGHT remarked, there is little justification for treating sugar legislation in a special category apart from the farm bill. It may be that in 1934, when the present program originated, its tariff features justified some special treatment. But no one then contemplated that the program would swell into a vast global boondoggle in which the consumer is asked to pay premium prices for imported sugar in order to conceal the subsidy granted for domestic beet and cane growers.

* * * * *

In short, in order to hide that "sore thumb" in a thicket of subsidies, the American taxpayer paid out $672 million last year to protect the domestic industry and underwrite an extravagant program of bonus payments to oversea producers. * * * But there are other mysteries about sugar that Senators GORE, FULBRIGHT, and the redoubtable PAUL DOUGLAS will want to examine.

How, for example, did the House committee riddle the sugar bill with so much unexplained favoritism? Why were 15 new areas brought into the quota program while sand was tossed in the eyes of nearby friendly countries? One such country is the Dominican Republic. Ironically, when Rafael Trujillo was dictator, the House committee leaned over backward to avoid giving offense to the Dominican regime. But now that a democratically oriented government is struggling to prevail against left-wing and rightwing extremism, the sugar legislation passed by the House does as little as possible to help.

There is an uproar now in Santo Domingo, where the residents are unaware of the intricacies of congressional politics. They can't understand why such remote countries as Mauritius and the Fiji Islands are awarded quotas when hemisphere republics highly dependent on sugar exports are brushed aside. Senator FULBRIGHT remarked on the lavish lobbying prompted by the present system. How much of a part did this play? Isn't it time to drop a blockbuster on a lobby that seems to swarm like fruit flies on Capitol Hill whenever the sugar melon is being carved?

[From the Washington Daily News, June 23, 1962]

A UNIQUE PROBE—HILL UNIT ASKS WHO DID GET THE SUGAR

(By Jack Steele)

The Senate Finance Committee today ordered all sugar industry lobbyists to file full reports of their fees and expenses before the Senate acts on a House-passed bill which is enmeshed in a lobbying scandal.

The unique order applies to have lobbyists hired by both foreign and domestic sugar producers, who would collect nearly $600 million a year in "subsidies" under the House-approved bill. The subsidies ultimately would be paid by U.S. consumers.

The action was demanded by Senator J. WILLIAM FULBRIGHT, Democrat, of Arkansas, chairman of the powerful Senate Foreign Relations Committee, and was ordered by Senator PAUL H. DOUGLAS, Democrat, of Illinois, as acting chairman of the Finance Committee.

It came after the Finance group devoted a stormy 8-hour hearing yesterday largely to efforts to unravel the hefty fees paid to lobbyists for foreign sugar interests to induce Congress to boost their sugar quotas or establish new ones.

THREE DISTRICT OF COLUMBIA FIRMS

The committee revealed that at least three Washington lobbying firms stand to collect fat "contingent" fees if the House-passed sugar bill is enacted. They are:

The law firm of Oscar Chapman, former Interior Secretary, which represents sugar producers of Mexico.

The law firm of Donald Dawson, onetime White House aid to former President Truman, which represents sugar producers of India.

The consulting firm of A. S. Nemir Associates, which represents the sugar and alcohol producers of Brazil.

FULBRIGHT said that, while such fees are legal, the American people and Congress have a right to know "what kind of pressures are being generated for legislation" that would cost consumers $600 million a year.

He also charged that most lobbyists for foreign sugar interests were violating the Foreign Agents Registration Act by failing to file with the Justice Department complete reports of their fees and expenses.

Douglas promptly ordered the committee's staff to send telegrams to all lobbyists who have pushed the sugar bill, directing them to file such reports with the committee immediately.

He charged U.S. consumers have footed the bill for more than $4 billion in "subsidies" to foreign and domestic sugar producers in the last 15 years and that the House bill would add $2.5 billion to this in the next 5 years.

Noting that lobbyists for more than a score of countries—ranging from South Africa to the Fiji Islands—were seeking to sell more sugar to the United States at prices nearly 3 cents a pound above the world market, Douglas asked:

"Do you think there is no limit to Uncle Sam's largesse?"

Chapman, first of the foreign lobbyists to appear before the Finance Committee, was asked by Senator THRUSTON MORTON, Republican of Kentucky, about his fees.

The former Interior Secretary said his firm was paid a retainer of $50,000 a year by Mexican sugar interests and a "small percentage" as a contingent fee. The latter turned out to be 25 cents a ton for any increase in Mexico's sugar quota.

This contingent fee, under the House bill, would add $26,750 to the fee of Chapman's firm this year—bringing it to $76,750. The fee presumably would continue for 5 years under the House-passed bill.

CONTINGENT FEE

James W. Riddell, a Dawson partner, said his firm would collect $99,000 in fees, plus $15,000 in expenses, from Indian sugar interests under the House bill.

He denied at first this was a contingent fee, but finally admitted to FULBRIGHT that the Dawson firm would collect only $50,000 and $5,000 in expenses if India got no sugar quota. The House bill would give India its first sugar quota of 130,000 tons.

Albert S. Nemir said Brazil sugar producers would pay his firm a minimum fee of $25,000, plus a "small" contingent fee based on the value of all Brazilian sugar sold to the United States.

OPPOSITION TO TAX DEDUCTION FOR EXPENSES IN CONNECTION WITH LOBBYING

Mr. PROXMIRE. Madam President, in yesterday's New York Times there appeared a letter from Mr. Robert H. Clarke, of Princeton, N.J., calling attention to the windfall for business pressure groups that would result if section 3 of the tax bill, as presently drafted, were enacted. Incidentally, that section was included in the bill as passed by the House of Representatives, and it is now in the bill.

This is the provision which authorizes a tax deduction for expenses incurred in connection with lobbying. There is no question that the effect of this section would be a substantial gain for business lobbying groups. No such assistance would be available to private individuals lobbying for causes in which they believe— be they left, right, or center—or for groups, such as the League of Women Voters, which do not have a "business interest" in legislation.

On April 6 of this year, I appeared before the Senate Finance Committee, at my own request, to testify against this section. I ask unanimous consent that my testimony be printed at this point in the RECORD. I also ask unanimous consent that Mr. Clarke's letter to the editor of the New York Times be printed at this point in the RECORD.

There being no objection, the statement and the letter were ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR PROXMIRE

LOBBYING ACTIVITIES

I oppose the tax deduction for lobbying expenses because it would give a thoroughly unjustified tax advantage to special business interests over the public interest.

Contributions to lobbying organizations that fight for their ideals—be they left, right, or center—are not tax deductible. Contributions to groups like the American Civil Liberties Union, the Americans for Constitutional Action, and the League of Women Voters are prohibited by law from tax exemption.

But if this provision is enacted, special interest business groups, whose financial interests may run counter to the public interest, will get a juicy tax break.

This proposed new tax deduction is the one part of the bill that is flatly opposed by the Treasury.

This is one of the very few significant changes made in the law in years on which the House Ways and Means Committee conducted no hearings.

Section 3 of the bill would allow businesses and trade associations, but not the ordinary citizen nor the individual specialist, to deduct costs incurred in connection with promoting or opposing particular legislation. The bill as presently written would allow deductions for not only the expenses of appearances before congressional committees, but also expenses involved in personal contacts with individual Members of the Congress, personal contacts with State and local officials, and all expenses incurred by trade associations in propagandizing a particular point of view with their individual members.

I consider this provision of the bill wholly indefensible on several different grounds. First, from a legislative standpoint, the Ways and Means Committee has held no hearings on this particular measure. Certainly there should be an opportunity for the general public to be heard by the Ways and Means Committee on this subject before the legislation is enacted.

Second, from a legal standpoint, section 3 of the bill represents a change in a long-standing principle which has been supported on several occasions by Federal courts, including the Supreme Court. The Internal Revenue Code provides for deductions only for "ordinary and necessary" expenses. It is far outside the "ordinary and necessary"

income-producing procedures of business to attempt to influence legislative decisions. While the Treasury Department has apparently not attempted to enforce fully its present regulations, dereliction of duty should not be a justification for legislative change.

Third, the proposed change can be criticized on equity grounds. It clearly and explicitly discriminates in favor of business lobbying and against lobbying by private citizens or individual specialists. Thus the provision serves to rig the odds against legislation for the general well-being, and in favor of specialized legislation for the few. It is difficult enough at present for the individual legislator, to obtain information on both sides of the questions upon which we must legislate. In effect, the new provision means that some tax funds now coming to Uncle Sam will be returned to businesses and trade associations in order that they can present their case more effectively, while at the same time discouraging individuals, who presumably have less capacity to meet lobbying costs, from incurring those costs. Thus the flow of information to legislators is diverted so that it comes more freely from certain sources and is less available from other sources.

Fourth, the proposed section can be criticized on economic grounds. The Federal Government, through this measure, will be subsidizing the diversion of resources away from productive output for the benefit of the national economy into specialized propagandizing purposes designed solely to benefit the few. These proposed deductions are not equivalent to deductions for advertising. Advertising is intended to disseminate knowledge to the many about products which are available in the market. The proposed deductions are for expenses designed to influence the few for the special benefit of a few.

The proposed provision on lobbying expenses will not only discriminate against certain nonprofit lobbying organizations, such as the Leagues of Women Voters. These organizations, like industry trade associations, are usually nonprofit and are generally not subject to tax on their own activities. However, contributions to these organizations, like contributions to industry trade associations, are only deductible by the contributors to the extent that the contributions are not used by the associations to support lobbying activities. Section 3, of H.R. 10650, would permit contributions to trade associations to be deductible even though the contributions were used by the trade associations for lobbying purposes. This change would be made on the grounds that the contributions were "ordinary and necessary" business expenses. However, contributions to organizations such as the League of Women Voters would not be deductible to the extent that the League engaged in lobbying activities because the contributions in that case—under the proposed bill—would not be considered as "ordinary and necessary" business expenses. Therefore, the bill tends to discriminate in favor of lobbying activities by industry trade associations and against lobbying activities by certain other groups which have been of great assistance to legislators in the past.

[From the New York Times, June 24, 1962]

TAX AID FOR LOBBYISTS—WINDFALL FOR PRESSURE GROUPS SEEN IN SECTION 3 OF BILL

To the EDITOR OF THE NEW YORK TIMES:

In the current controversy over new tax legislation a very important provision of the bill now under consideration by the Senate Finance Committee has escaped public attention. I refer to section 3 of H.R. 10650, a section added to the administration's bill by the House and opposed (though without any comment) by Secretary Dillon in his appearance before the Finance Committee on April 2.

Section 3 as it passed the House would permit a tax deduction for costs relating to appearances before, presentation of statements to, or communications sent to a legislative body, legislative committee or individual legislator (Federal, State, or local), if the expenses are otherwise ordinary and necessary business expenses.

A further deduction is allowed for the portion of dues paid an organization which is used for legislative expenses, to the extent that they are related to the businesses of its members, as well as for the expense of communication of information between the taxpayer and the organization with respect to legislation.

Section 3 does not permit deduction of expenses incurred in efforts to influence the public (e.g., through advertising) or of expenses connected with political compaigns; but this provision is under attack by the advertising industry, certain newspaper publishers, and public utility companies.

FOWER IMBALANCE

As Senator PAUL DOUGLAS pointed out during the Finance Committee hearings, section 3 constitutes a windfall for business pressure groups and would seriously accentuate the already existing power imbalance between organized producer economic interests on the one hand and consumer and ideological interests on the other.

For the first time, profitmaking organizations would be granted deductions for the lobbying activities they conduct. Business men or firms could deduct dues paid to lobbying organizations, provided these organizations act in behalf of legislation in which the contributor has a business interest.

Unfortunately, section 3 grants no corresponding benefit to those lobbying organizations (such as the League of Women Voters, NAACP, and Committee for Constitutional Government) whose advocacy of legislation springs from their ideals of justice or general ideological commitments, which have no direct connection with their members' "business interests."

If enacted, this "sleeper" provision of the current tax bill might very well in the long run have a far more profound effect upon the American economy and polity than the President's much-debated dividend withholding and investment credit proposals.

ROBERT H. CLARKE.

PRINCETON, N.J., *June 15, 1962.*

SOVIET AGRICULTURE—WHY IT HAS MADE LITTLE PROGRESS

Mr. PROXMIRE. Madam President, in the current issue of Foreign Affairs, the quarterly review, there is a very fine article entitled "Soviet Agriculture Marks Time," written by a competent scholar named Alex Nove.

One of the most significant political developments internationally in the last few years has been the great failure of Communist agriculture. Many people have just assumed that this failure was related to drought or to some natural development in the Soviet Union. Some persons have contended that the failure of Soviet agriculture is due to the centralized control and the lack of individual incentive and individual freedom and opportunity for farmers—the kind of individual opportunity that farmers have in this country.

This study by Alec Nove discusses in some detail the very serious agriculture problems the Russians have.

The article is significant in implying the advantage the free world has over the Communist world because our farmers are increasingly more productive, whereas agriculture productivity in the Soviet Union has been brought to a surprising halt.

I want to call attention to the fact that, in spite of the vast agricultural resources in the Soviet Union, in spite of the new lands program, the most ambitious effort to bring new land into production, any country has engaged in, and which has brought millions and millions of acres of new land into production, what has happened is very startling.

The plan of the Soviet Union was to have in 1961 155.2 million tons of grain. Their performance was only 137.2 million tons of grain.

The Soviets planned to have 11.8 tons of meat. Their performance was 8.8 tons of meat. They planned to have 78.4 tons of milk; 62.5 million tons was their performance.

Even more dramatic, I think, is the record of what has happened in grain production in the Soviet Union.

Primarily because of the rectification of some of the extreme mistakes made by Stalin, there was an expansion of Soviet agriculture between 1953 and 1958. Since 1958, whereas in the free world, and dramatically in the United States of America, productivity has enormously increased, in the Soviet Union the total grain harvest has actually dropped. It dropped from a high of 141.2 million tons of production in 1958 to 137.3 million tons last year, with no indication of any substantial increase.

I ask unanimous consent that the table on page 578 of the article in Foreign Affairs to which I have been referring be printed in the RECORD at this point.

The PRESIDING OFFICER. Is there objection?

There being no objection, the table was ordered to be printed in the RECORD, as follows:

	1953	1954	1955	1956	1957	1958	1959	1960	1961
Total grain harvest	82.5	85.6	106.8	127.6	105.0	141.2	125.9	134.3	137.3
Harvested in virgin lands	27.1	37.6	28.0	63.6	38.5	58.8	55.3	59.1	(1)
Harvested in Kazakhstan	5.4	7.7	4.8	23.8	10.5	22.0	19.1	18.8	14.8

[1] Not available.

Sources: For 1953-60, Narodnoe khozyaistvo S.S.S.R. v. 1960 godu, pp. 440-441; for 1961, Pravda, Mar. 6, 1962.

Mr. PROXMIRE. Madam President, some of the difficulties that are involved in the Soviet Union's startling failure to advance in agriculture are detailed on page 579 of this article. It is pointed out that the Soviets have engaged in one campaign after another to step up specific production in particular areas. These campaigns have been incredibly mistaken, because what they have done is persuade the Communist managers and others who are in charge of pro-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

Issued June 27, 1962
For actions of June 26, 1962
87th-2d, No. 106

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HIGHLIGHTS: Senate committee reported sugar bill. House Rules Committee cleared foreign trade bill. Rep. Dole criticized Secretary Feeeman's handling of Estes case. Senate passed bill to grant national forest status to Taylor Grazing Act lands.

SENATE

1. SUGAR. The Finance Committee reported with amendments H. R. 12154, the sugar bill (S. Rept. 1631)(p. 10834). This bill was made the unfinished business (p. 10881). Sen. Morton submitted two amendments intended to be proposed to the bill (p. 10834).

2. FORESTRY. Passed without amendment H. R. 9822, to grant national forest status to lands within the exterior boundaries of national forests acquired under the exchange provisions of the Taylor Grazing Act. This bill will now be sent to the President. pp. 10870-1

Passed as reported S. 3112, to add approximately 18,100 acres of land-utilization project lands to the Pike National Forest in Colo., and approximately 249,700 acres of such lands to the Carson and Santa Fe National Forests in N. Mex. pp. 10869-70

3. CONTRACTS: DEFENSE PRODUCTION. Concurred in the House amendment to S. 3203, to extend the Defense Production Act for two years, until June 30, 1964. This bill will now be sent to the President. pp. 10871-2

4. EXPORT CONTROL. Conferees were appointed by both Houses on S. 3161, to continue the authority for regulation of exports for three years, until June 30, 1965. pp. 10879, 10921-2

5. FARM LABOR. Sen. Williams, N. J., criticized opposition to S. 1129, to authorize the Secretary of Labor to provide improved programs of recruitment, transportation, etc., for agricultural workers, stated that "some of the Nation's most powerful farm interests have launched a massive and deliberate campaign" against the bill, and inserted several items on the matter. pp. 10849-51

6. RECLAMATION. Passed as reported S. 405, to authorize construction of the Mann Creek reclamation project, Ida. pp. 10864-5
   Passed as reported S. 114, to authorize construction of the Waurika reclamation project, Okla. pp. 10865-7

7. TOBACCO. Sen. Neuberger commended the decision of the board of trustees of the American Medical Association directing its council on drugs to study and report upon the relationship between tobacco and disease. p. 10835

8. INSPECTION; RESEARCH. The Foreign Relations Committee tentatively approved for reporting H. R. 8982, to authorize construction of a bridge across the Rio Grande at or near Heath Crossing, Tex., and H. R. 9883, to authorize construction of a toll bridge across the Rio Grande near Los Indios, Tex. p. D519

9. GRAIN TRADING. Sen. Pearson commended the Kansas City Board of Trade for its "important contribution to the efficient handling of the complex trading system developed to handle grain," and inserted an editorial commending the Board. pp. 10838-40

10. FOREIGN TRADE. Sen. Morton inserted an analysis he had prepared on devices other than tariffs and duties that are "used by many foreign nations to discriminate against imported products." p. 10838

11. PEACE CORPS. Sen. Humphrey commended and inserted two items commending the work of the Peace Corps on its first anniversary. pp. 10846-9

12. ECONOMIC GROWTH. Sen. Goldwater inserted an address by Dr. Raymond J. Saulnier, "The Developing Dialog on Economic Growth." pp. 10854-7
   Sen. Proxmire commended the President's call "for a debate on economic policy," and discussed the economic situation with Sens. Robertson and Russell. pp. 10861-4

HOUSE

13. FOREIGN TRADE. The Rules Committee reported a resolution for the consideration of H. R. 11970, the proposed Trade Expansion Act of 1962. pp. 10901, 10950, D523

14. PERSONNEL. The Ways and Means Committee reported without amendment H. R. 12180 to extend until July 1, 1964, the existing provisions of law relating to the free importation of personal and household effects brought into the U. S. under Government orders (H. Rept. 1920). p. 10950

15. TAXATION. Received the conference report on H. R. 11879 to provide a 1-year

Calendar No. 1591

87TH CONGRESS
2d Session

SENATE

REPORT
No. 1631

SUGAR ACT AMENDMENTS OF 1962

JUNE 26, 1962.—Ordered to be printed

Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 12154]

The Committee on Finance, to whom was referred the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, having considered the same, report favorably thereon with amendments, and recommend that the bill as amended do pass.

PURPOSE

The purpose of the bill, as reported, is to maintain a healthy and competitive domestic sugar industry; to assure adequate sugar supplies to consumers at reasonable prices; to extend the act for 5 years, to June 30, 1967; to increase quotas for domestic producing areas and provide for production in new areas; to establish quotas for foreign suppliers and provide for the temporary filling of the quota reserved for Cuba subject to the payment of a fee approximately equal to the difference between the world market price and the domestic price of sugar; and to provide for the establishment, on a graduated basis of a fee levied on all other imports except those from the Republic of the Philippines, to become fully effective after 1965.

PURPOSE OF THE AMENDMENTS

The bill was amended by striking all after the enacting clause and inserting the text of S. 3290 as modified by the following changes:

1. The new-producer sugarbeet area allocation of 50,000 tons was raised to 65,000 tons with the provision that the annual accumulation above that necessary to create one new mill be held in reserve and not allocated until sufficient has accumulated for an extra new mill; 65 percent of the increase in annual domestic consumption is to be assigned to domestic producers of beets and cane.

2. Ten thousand tons of foreign-quota direct consumption sugar would be placed in reserve to be allocated at the discretion of the Secretary of Agriculture without regard to past participation in United States quotas. This would be affected by the gradual application of import fees the same as other sugar.

3. The term "alcohol" was defined in the section of the Act which provides that sugar used in the manufacture of alcohol be exempt from the quota provisions.

4. The amount of direct payments to United States growers of sugar was reduced.

GENERAL STATEMENT

The bill, as reported, would extend the act for 5 years to June 30, 1967, and would become effective January 1, 1962, except for sections 6 and 12 which would become effective as provided in regulations implementing such provisions, or 60 days after enactment, whichever is earlier and section 14 which would become effective beginning with the 1963 crop.

Section 2 would provide that the Secretary of Agriculture, in determining sugar requirements for each year, would consider the relationship which would result between the price for raw sugar and the parity index as compared to the relationship between average raw sugar prices and the parity indexes for the period 1957 to 1959, inclusive. The term "parity index" is determined under section 301 of the Agricultural Adjustment Act of 1938 as published monthly by the U.S. Department of Agriculture.

Section 3 would increase the quotas for domestic sugar-producing areas. Current levels indicate a consumption rate of about 9.7 million tons annually, with an estimated annual increase in consumption of about 160,000 tons. The bill as reported would assign to domestic producing areas 65 percent of this annual increase. The present share in the annual increase in consumption granted to domestic areas is 55 percent. The domestic areas' 65 percent of market growth, approximately 104,000 tons, would be prorated to mainland beet and mainland cane producing areas.

The basic quotas assigned to domestic areas would be increased by 623,500 tons as indicated in the following comparison of existing quotas with those which would be granted under the bill.

[Short tons, raw value]

Area	Present legislation	H.R. 12154 as reported
Domestic beet sugar	2,110,627	2,650,000
Mainland cane sugar	649,460	895,000
Hawaii	1,117,936	1,110,000
Puerto Rico	1,231,682	1,140,000
Virgin Islands	16,795	15,000
Total	5,186,500	5,810,000

The bill would also provide that in a year immediately following a year when production in Hawaii, Puerto Rico, or the Virgin Islands exceeded the sum of its basic mainland and local quota, any of those areas would have its quota increased to the extent of such excess production, but not in excess of the quota that would have been established for such area under the provisions of the act prior to the adoption of this bill. Any increase that might take place in the quotas of these areas would be taken from the quota for foreign countries, other than the Philippines, and not from other domestic quotas.

Under this section foreign importations would be divided by granting to the Republic of the Philippines a quota of 952,000 tons, tel quel,

with the balance of the foreign allocations prorated among foreign countries which have quotas under the current act. The foreign allocations would be based on quotas under present legislation at the requirement level of 9.7 million tons, except that Cuba's share has been reduced to accommodate the increases for domestic areas, and the five smallest country prorations are continued in the same fixed amounts as at present.

It is provided that, when we are not in diplomatic relations with Cuba or any other country, the sugar represented by that country's proration would be authorized for acquisition, subject to payment of a fee from foreign countries other than those excluded by the President in the national interest or those with which we do not maintain diplomatic relations.

The quotas for foreign countries other than the Republic of the Philippines, less 709 tons for 1962 and 1,416 tons for 1963 (these sums allocated to Canada, United Kingdom, Belgium, British Guiana, and Hong Kong) and less 5,000 tons for 1962 and 10,000 tons for 1963 are prorated as follows:

Cuba	88.85	Netherlands	0.14
Peru	3.73	China	.14
Dominican Republic	3.31	Panama	.14
Mexico	2.75	Costa Rica	.14
Nicaragua	.54		
Haiti	.26	Total	100.00

Under section 3 of the bill the Secretary of Agriculture is authorized to allocate to foreign countries other than those receiving allocations under subparagraphs A and B of this section, an amount of sugar not exceeding 10,000 tons per year. Any foreign country or countries to which such allocation is made shall be permitted to import into the continental United States the amount of sugar allocated to it or them by the Secretary. This reserve may, under the other provisions of the act, be allocated and imported as direct consumption sugar. The Secretary is not required to make allocations under this subsection, but he may assign such parts of the reserve to such foreign country or countries which do not presently have quotas under subparagraphs A and B as he deems advisable.

Section 4 of the bill provides that a deficit in the quota for any domestic area or foreign country would be prorated, in accordance with their basic quotas or prorations, to quota countries with which we maintain diplomatic relations and which are able to fill such deficit. If the quota countries cannot fill all of such deficit the remainder would then be apportioned by the Secretary to nonquota countries—except that when we are not in diplomatic relations with Cuba or any other quota country, that remainder of the deficit would be authorized for acquisition, subject to the payment of a fee, from foreign countries. (The details of this fee are outlined in the discussion of sec. 12.)

Section 5 assures a marketing opportunity for new factories processing sugarbeets grown in new areas during the period when such factories are establishing their marketing history. Under it the Secretary is authorized in making allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time to serve farms having a substantial acreage for the first time, to take into consideration the need of establishing an

allotment which will permit such marketing of sugar as is necessary for operation of the new plant.

Section 6 would provide that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation, unless the Secretary finds that importation will not substantially interfere with the attainment of the objectives of the act. Furthermore, the Secretary may also apply quotas to the sugar content of any sugar-containing product or mixture that has a history of importation in recent years if he finds that importation of the product or mixture will substantially interfere with the attainment of the objectives of the act.

This section is aimed at preventing abuses and is not intended to cause undue hardship or change the patterns of established trade. Foreign suppliers and domestic purchasers of foreign products will likely find the administration of this section to their advantage rather than to their hurt so long as the trade involved is not of such a nature to disturb or conflict with the proper administration of the Sugar Act.

Section 7 would provide limitations on direct-consumption sugar. For Hawaii, Puerto Rico, the Republic of the Philippines, and foreign countries with quota prorations of not more than 10,000 tons such limitations are substantially the same as in present legislation. The quota for Hawaii would be an amount not to exceed 0.342 percent of national sugar requirements; that for Puerto Rico 1.5 percent; Republic of the Philippines not more than 56,000 tons of that country's total quota. It would limit to 250,000 tons the direct-consumption sugar which may be entered within the proration for Cuba when Cuba's quota is operative. It would also limit to 1.36 of the quota for foreign countries other than the Republic of the Philippines, the direct-consumption sugar which may be entered within the prorations of such foreign countries (other than Cuba) which have prorations of more than 10,000 tons.

Section 8 would provide a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses. This quota is not assigned directly to any particular country, and consists of not more than 2 million gallons containing soluble nonsugar solids of more than 5 percent of the total soluble solids. The President is authorized to prohibit such importations from any foreign country which he shall designate when he finds and proclaims that such action is required in the national interest.

Section 9 would prohibit the importation into the Virgin Islands of any sugar not produced in domestic areas.

Section 10 requires that sugar brought into the continental United States within the quota for the Virgin Islands must have been produced within the Virgin Islands. Any sugar originating elsewhere, but transshipped from the Virgin Islands to the continental United States could not enter under the quota. Without this section the circumvention of the quota system might be encouraged.

Section 11 amends the basic act to clarify the definition of the term "alcohol." The act specifically exempts from all quotas the sugar imported for use in the manufacture of alcohol. When this exemption was made a part of the act, the common reference to alcohol was in terms of ethyl alcohol only. Since that time other types of alcohols have developed as market products which, although in the same general category as ethyl alcohol, create a classification problem. In

order to clarify this situation the reference in the act to "alcohol" was defined to read "alcohol, including all polyhydric alcohols."

Polyhydric alcohols are used primarily in the production of such commodities as glycerin, certain types of antifreeze and other items.

Section 12 would require the payment of a fee as a condition for the importation of any sugar acquired in replacement for that which would have been within the proration for Cuba (or any other foreign country which may have had a proration but with which we are not in diplomatic relations). The amount of the fee on such sugar would be established by the Secretary of Agriculture and adjusted from time to time to approximate the amount by which the domestic sugar price (at a level which achieves the objectives of the Sugar Act) exceeds the foreign market price for such sugar.

Section 12 would also provide that a fee be paid as a condition for importation of sugar within the quota for foreign countries other than the Republic of the Philippines by all those countries having prorations, at the rate of 20, 40, 60, 80, and 100 percent of the full fee in 1962, 1963, 1964, 1965, and after 1965, respectively.

Section 13 would provide that in any year when production is restricted in the beet sugar area, a national reserve of not more than the acreage required to yield 65,000 tons of sugar be assigned to farms on a fair and reasonable basis without regard to any previous production history, for the purpose of making acreage available for expansion of the beet sugar industry. It would clarify the circumstances under which the Secretary would establish grower proportionate shares and the Secretary's authority to consider the sugarbeet production history of farm operators in lieu of or in addition to the sugar beet production history of land units, in regions where the Secretary determines that sugarbeet production is organized generally around persons rather than units of land and where personal history was generally used prior to 1962.

The bill provides for added domestic participation in the supplying of the U.S. market. The desire to produce sugar crops has grown with the growing market and the bill as reported would provide for growth and expansion of the sugarbeet and sugarcane production in the United States.

Under the terms of the bill, the Secretary would, in order to make available acreage for growth and expansion of the beet sugar industry, reserve each year, from the national sugarbeet acreage requirement established by him, the acreage required to yield 65,000 tons, raw value of sugar. On the basis of the national average yield of 2½ tons of sugar per acre, this provision would permit the Secretary to establish a sugarbeet acreage reserve of 26,000 acres. In areas where the sugar yield per acre is higher than the national average, the sugarbeet acreage might be somewhat less. In any event, regardless of the sugar yield per acre of any area to which the sugarbeet acreage reserve might be distributed, such area will have an opportunity to produce enough sugarbeets to support the operation of a sugar plant having a production capacity of about 1 million hundred-pound bags of refined sugar.

It has been ascertained that an efficient mill can be operated on the basis of about 1 million hundred-pound bags of refined sugar which, on the average, would come from 50,000 tons, raw value, of sugar which, in turn, would be produced on 20,000 acres of average land. The bill,

as reported, would, therefore, cause the accrual of some 6,000 acres per year over and above that necessary for the establishment of one efficient factory per year. Thus, at the end of 3 years the Secretary would be able to allow or provide for the establishment of an extra new factory.

The average production of the 61 sugarbeet plants in the United States is less than 800,000 hundred-pound bags of refined sugar. The provision for one new factory each year could be made by reserving 20,000 acres each year for new beet production and the bill, as reported, would provide for 65,000 tons of new production each year which would be grown on 26,000 acres. At the end of 3 years the Secretary would have approximately 18,000 acres capable of producing 45,000 tons of sugar to allocate to a new area where an extra mill could be established.

Under the bill as reported the sugarbeet acreage reserve is to be distributed by the Secretary, after investigation and notice and opportunity for public hearing, on a fair and reasonable basis to farms without regard to other acreage allocations to States or areas within States. The sugarbeet acreage reserve is available for distribution to new growers supplying a new factory in a new area. The language of the bill assures that the Secretary of Agriculture, in distributing the sugarbeet acreage reserve will give priority to new growers for a new factory over new growers for an expanded old factory. The Secretary must not assign any of this reserve to old areas unless he determines that the reserve, or portion thereof, cannot be assigned cumulatively, for the life of this extension, to prospective new areas for new mills. When the reserve beyond that needed for one factory per year reaches the point where an extra factory might be provided in any one year, the Secretary will take into account all the relevant facts and decide which growing group has the more valid claim. The Secretary's decision in any one year would, of course, be entirely without prejudice to the position of any group that had not been successful in acquiring a priority.

The bill does not undertake to define a new area. The Secretary, with all the facts of the immediate time of the consideration before him, will make such a decision. It may be assumed that the Secretary will formulate a workable definition. It would appear that a new area should not be compelled to show that no sugarbeets at all are now being raised, as there may be qualified areas where a few farmers have had some small sugarbeet history with beet shipments being made over great distances to be processed with the grower absorbing part of the freight charges. On the other hand, an area in which sugarbeet raising is and has been an important and significant part of agriculture might not qualify as a new area.

The growth and expansion of the beet-sugar industry is also possible through increases in the capacities of existing plants. The bill expands the share of the market growth allocated to domestic producers of beets and cane to 65 percent. The growth factor is such that approximately 160,000 tons of sugar are consumed each year over and above that consumed in the prior year. Thus, 65 percent reserved for new production in the United States would provide for 104,000 tons more for domestic production, cane and beet, new and old.

On the present basis of three-fourths of the growth factor assigned to domestic areas being given to beet areas and one-fourth to cane areas, this would provide 78,000 tons to beets and 26,000 to cane.

Of the beet allotment, 65,000 tons would be reserved for new areas, which leaves 13,000 tons per year to be assigned principally to established growers presently producing beets.

Section 14 would decrease the payments under the Sugar Act to domestic growers. Section 304 of the act sets the base rate of direct payments to 80 cents per hundred pounds of sugar or liquid sugar, raw value. The total payment to a farmer or grower is the product of the base rate multiplied by the amount of sugar and liquid sugar, raw value, with respect to which payments is to be made, except that reduction is made from such total payment for some of the production on the larger farms in accordance with a graduated scale of reductions. The scale of reductions under present law are as follows:

Production per farm in hundredweights of sugar:	*Present law*
Less than 350	None
350 to 700	$0. 05
700 to 1,000	. 10
1,000 to 1,500	. 20
1,500 to 3,000	. 25
3,00 to 6,000	. 275
6,000 to 12,000	. 30
12,000 to 30,000	. 325
More than 30,000	. 50

Section 14 of the bill, as reported would set the new scale for reductions as follows:

Production per farm in hundredweights of sugar:	*Present law*
Less than 350	None
350 to 700	$0. 10
700 to 1,000	. 20
1,000 to 3,000	. 30
3,000 to 6,000	. 40
6,000 to 12,000	. 50
More than 12,000	. 60

The following table gives selected data for domestic sugar-producing areas, on acreage, production, quotas, and payments, 1955 to 1961.

Selected data for domestic sugar producing areas, on acreage, production, quotas, and payments, 1955–61

[All tons are raw value]

Domestic area and crop year	Acreage harvested for sugar [1]	Yields of sugar per acre harvested	Production of sugar	Quota charges	Unfilled quota		Jan. 1 effective inventory	Rate of Sugar Act payments per ton of sugar
					Basic	Adjusted		
Sugar beet:	*1,000 tons*	*Tons*	*1,000 tons*	*Tons*	*Tons*	*Tons*	*1,000 tons*	
1955	744	2.33	1,730	1,797,327	2,673	2,673	1,628	$16.82
1956	789	2.50	1,971	1,955,252	0	149	1,547	15.87
1957	882	2.51	2,213	2,065,687	9	5,007	1,529	16.43
1958	895	2.47	2,214	2,239,852	0	52,636	1,669	16.36
1959	898	2.56	2,303	2,241,164	0	26,501	1,638	16.89
1960	962	2.57	2,474	2,164,692	102,609	350,253	1,696	16.32
1961 (estimated)	1,090	2.26	2,458	2,608,000	0	1,170	2,005	16.47
Mainland sugarcane:								
1955	267	2.14	572	498,797	1,203	1,203	396	13.30
1956	233	2.39	557	601,369	0	327	465	13.16
1957	259	2.05	531	635,685	0	1,487	346	13.67
1958	254	2.28	578	680,552	0	40,253	244	12.80
1959	296	2.08	615	577,595	51,204	120,188	140	12.83
1960	304	2.07	630	619,047	78,623	154,826	177	12.97
1961 (estimated)	331	2.54	840	750,000	0	0	185	13.14
Puerto Rico:								
1954–55	361	3.23	[2] 1,166	1,079,562	438	438	163	13.91
1955–56	353	3.26	[2] 1,152	1,134,769	5,484	6,329	138	13.85
1956–57	362	2.73	990	912,571	224,416	7,429	44	14.83
1957–58	328	2.85	934	823,034	343,341	0	6	14.47
1958–59	344	3.16	1,087	957,853	234,645	12,022	7	13.68
1959–60	328	3.11	1,019	895,784	427,327	0	12	13.94
1960–61 (estimated)	340	3.26	1,110	980,000	290,865	0	24	14.00
Hawaii:								
1955	106	10.75	1,140	1,052,004	0	0	6	9.24
1956	107	10.28	1,100	1,091,282	0	23	49	9.25
1957	107	10.14	1,085	1,036,763	50,610	23,237	14	9.26
1958	84	9.11	765	630,175	484,304	69,825	18	9.71
1959	110	8.86	975	976,845	163,617	1,125	114	9.53
1960	104	9.00	936	844,788	420,587	95,656	78	9.38
1961 (estimated)	110	9.93	1,092	1,045,000	170,410	0	122	9.32
Virgin Islands:								
1955	5	2.14	10	9,942	2,058	558	----------	13.28
1956	5	2.69	13	12,535	0	0	----------	12.97
1957	5	3.05	15	14,753	796	0	----------	12.80
1958	4	1.36	6	6,093	9,812	7	----------	20.89
1959	4	2.98	12	12,302	3,959	103	----------	13.06
1960	4	1.57	7	6,954	11,089	1,664	----------	17.92
1961 (estimated)	5	3.68	17	16,184	1,146	1,146	----------	13.07
All domestic areas:								
1955	1,483	3.11	4,618	4,437,632	6,368	6,368	2,193	13.77
1956	1,487	3.22	4,793	4,795,207	6,293	6,293	2,199	13.54
1957	1,615	2.99	4,834	4,665,459	122,291	37,160	1,933	14.18
1958	1,565	2.87	4,497	4,379,706	531,794	154,687	1,937	14.38
1959	1,652	3.02	4,992	4,765,759	255,741	159,939	1,892	14.25
1960	1,702	2.98	5,066	4,531,265	1,040,235	600,235	1,963	14.14
1961 (estimated)	1,876	2.94	5,517	5,399,184	0	0	2,336	14.04

[1] National acreage allocations in years when production was restricted, with acreages planted in parentheses were as follows: Domestic beet sugar area—1955, 850 (793); 1956, 850 (823); 1957, 950 (912); 1958, 935 (927); 1959, 925 (921); 1960, 935 (930); mainland cane sugar area (for sugar and seed)—1955, 299 (285); 1956, 259 (253); 1957, 295 (284); 1958, 292 (276); 1959, 314 (314); 1960, 335 (335).

[2] Individual farm proportionate share established in hundredweight of sugar totaled 1,214,000 tons for 1954–55 crop and 1,222,000 tons for 1955–56 crop.

Sections 15 through 20 contain technical amendments to various parts of the Sugar Act necessary to the operation of the act under the legislation proposed in the bill as reported.

The committee urges the adoption of the bill.

CHANGES IN EXISTING LAW

In the opinion of the committee, it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

○

Calendar No. 1591

87TH CONGRESS
2D SESSION

H. R. 12154

[Report No. 1631]

IN THE SENATE OF THE UNITED STATES

JUNE 20, 1962

Read twice and referred to the Committee on Finance

JUNE 26, 1962

Reported by Mr. BYRD of Virginia, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To amend and extend the provisions of the Sugar Act of 1948, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, ~~That this Act may be cited as the "Sugar Act Amendments of 1962".~~

~~SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: By striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer~~

purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture. In order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) (1) for domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	2, 650, 000
Mainland cane sugar	895, 000
Hawaii	1, 110, 000
Puerto Rico	1, 140, 000
Virgin Islands	15, 000
Total	5, 810, 000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 63 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas;

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year

established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided,* That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202 (a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962;

"(b) for the Republic of the Philippines, in the amount of one million and fifty thousand short tons raw value of sugar.

"(c) (1) for the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less

the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962;

"(2) for the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section;

"(3) (A) the quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less six hundred and sixty-seven short tons, raw value, for 1962 and less thirteen hundred and thirty-two short tons, raw

value, for 1963 and each year thereafter, shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba	52.84
Peru	7.04
Dominican Republic	7.04
Mexico	7.04
Brazil	6.69
British West Indies	3.52
Australia	1.76
Republic of China	1.58
French West Indies	1.41
Colombia	1.23
Nicaragua	1.06
Costa Rica	1.06
India	1.06
Ecuador	1.06
Haiti	0.88
Guatemala	0.70
Argentina	0.70
South Africa	0.70
Panama	0.53
El Salvador	0.35
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35
Mauritius	0.35

"(B) for the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen

hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(4) notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph, shall be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. For the period ending December 31, 1962, and for the calendar year 1963 any such quantity as is authorized

for purchase and importation under this paragraph (4) shall be allocated on the following basis:

"(i)

"Country	Per centum
Republic of the Philippines	10
Peru	10
Dominican Republic	10
Mexico	10
Brazil	10
British West Indies	10
Australia	10
Republic of China	10
India	6.67
South Africa	6.67
Mauritius	6.66

"(ii) the Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production of sugar, and other pertinent factors, countries with purchase authorizations under subparagraph (i) of this subsection will fill them at such times as will meet the sugar requirements of consumers. If the Secretary determines that any country will not so fill its purchase authorization at such time as will meet the sugar requirements of consumers, he shall cancel it to the extent that he determines it will not be so filled, and he shall authorize for purchase and importation into the United States a quantity of sugar equal to the amount of the purchase authorization so canceled by revising the authorizations for pur-

chase and importation from the other foreign countries named in subparagraph (i) of this subsection by prorating such quantity among them. If the Secretary determines that any such country is unable to fill its revised authorization at such times as will meet the sugar requirements of consumers, he shall authorize the purchase and importation of such unfilled quantity from such foreign countries as he determines will meet the sugar requirements of consumers.

"(5) sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States;

"(6) sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports

of sugar to countries other than the United States equal or exceed its aggregate imports of sugar;

"(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

"(e) If a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subse-

quent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

"(f) the quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or

country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202 (c) (3) (A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided,* That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202 (c) (3) (A) as he determines is required to fill any such deficit: *Provided,* That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202 (c) (3) (A) can fill all of any such deficit whenever the provisions of section 202 (c) (4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202 (c) (4), and whenever section 202 (c) (4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in

diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately following the words "sugarbeets or sugarcane" the following language ", limited in any year when proportionate shares were in effect to processings".

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of

this Act: *Provided,* That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rule-making requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them

by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided,* That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of

sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

"(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the

quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 8. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification

of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate when ever he finds and proclaims that such action is required by the national interest."

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate

share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugar-

cane. The Secretary may also in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State. In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him

not in excess of the acreage required to yield 50,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis to farms without regard to any other acreage allocations to States or areas within States determined by him. The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing. In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions. Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested

for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b)."

SEC. 12. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(e)(4), or apportioned in accordance with section 204(a), whichever procedure is applicable.

"(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens

or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall, unless he determines such suspension to be inconsistent with the national interest, suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of

section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable."

SEC. 13. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "June 30" and inserting in lieu thereof "December 31" and by striking out "1962" in each place it appears therein and inserting in lieu thereof "1966".

SEC. 14. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 15. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" in each place it appears therein and inserting in lieu thereof "June 30, 1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" and inserting in lieu thereof "June 30, 1967" and by striking out "March 31, 1963" and inserting in lieu thereof "September 30, 1967".

SEC. 17. Except as otherwise provided, the amendments made hereby shall become effective January 1, 1962, except that section 5 shall become effective upon the date stated in

regulations implementing such section and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

SEC. 18. There is hereby authorized to be appropriated to the President an amount equivalent to all sums collected through special fees on nonquota purchase sugar imported from the Dominican Republic between September 26, 1960, and March 31, 1961, and deposited in the United States Treasury, which sums the President shall return to the Government of the Dominican Republic at such time as (1) the President has been notified by the Government of the Dominican Republic that all privately owned sugar companies which paid any such fees have entered into an agreement with the Government of the Dominican Republic to receive in Dominican currency their shares of such fees, after payments of Dominican taxes and amounts due colonos, and to utilize such net amounts in a manner designed to further the economic or social development of the Dominican Republic; and (2) the President has been advised by the Department of Justice that it has received assurance from the persons paying such fees that all present or potential claims against the United States based on the payment of such fees

~~are thereby satisfied with no further liability to the United States.~~

That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: by striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: Provided, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

"(b) For the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(c)(1) For the six-month period ending December 31, 1962, for foreign countries other than the Republic of

the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

"(2) For the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(3)(A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less, for 1962, the sum of seven hundred and nine short tons, raw value, and the allocations made under subparagraph (C), and, for 1963

and each year thereafter, the sum of fourteen hundred and sixteen short tons, raw value, and the allocations made under subparagraph (C), shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba	88.85
Peru	3.73
Dominican Republic	3.31
Mexico	2.75
Nicaragua	.54
Haiti	.26
Netherlands	.14
China	.14
Panama	.14
Costa Rica	.14
Total	100.00

"(B) For the six-month period ending December 1962, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States a total of fourteen hundred and sixteen short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774).

"(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar year 1963 and for each year thereafter, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

"(4) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would

have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest.

"(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that (i) sugar testing in excess of ninety-nine degrees polarization may be authorized for purchase to be further refined or improved in quality in the United States, and (ii) if the Secretary determines that raw sugar is not reasonably available, he may authorize for purchase for direct consumption such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

"(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or

force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: Provided, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit deter-

mined under this section, he may apportion such unfilled amount on such basis to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: Provided, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he may apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. (a) Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately after "sugarbeets or sugarcane" the following: ", limited in any year when proportionate shares were in effect to processings".

(b) Section 205(a) of such Act is further amended by inserting after the second sentence thereof the following new sentence: "The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation."

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions

of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: Provided, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or

liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: Provided, That one hundred and

twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e)(1) Not more than two hundred and fifty thousand short tons, raw value, of sugar of the proration established for Cuba under section 202(c)(3) for any calendar year may be filled by direct-consumption sugar subject to the provisions of paragraphs (4) and (5) of section 202(c).

"(2) The proration established for each foreign country, except Cuba, which receives a proration of more than ten thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the quantity determined by prorating among such countries, in the same ratio that each country's proration bears to the total of the prorations for such countries, the quantity determined by applying 1.36 per centum to the quotas for foreign countries established under paragraph (1) or (2) of

section 202(c). The proration or allocation established for each foreign country which receives a proraton or allocation of ten thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 8. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: 2,000,000 gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids of more than 5 per centum of the total soluble solids, except that the President is authorized to pro-

hibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. Section 212 of such Act is amended by inserting after "alcohol," in clause (4) thereof the following: "including all polyhydric alcohols,".

SEC. 12. A new section 213 is added and inserted immediately after section 212 of such Act as follows:

"SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

"(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c). Such fee

shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) and (5) of section 202(c).

"(c) As a condition for importing sugar into the continental United States pursuant to paragraph (3) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, 1964, 1965, 1966, and succeeding years, which fee in each such year shall be respectively 20, 40, 60, 80, and 100 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), or whenever paragraph (4) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, 1964, 1965, 1966, and succeeding years shall be respectively 0.2, 0.4, 0.6, 0.8,

and 1 cent per pound more than the import fee imposed on raw sugar under this paragraph.

"(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts."

SEC. 13. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended to read as follows:

"(b)(1) Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish

proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.

"(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugar-

beet production and the ability to produce sugarbeets for extraction of sugar in each State.

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication

in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proprosals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugar-

beet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

"(4) The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

"(5) In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.

"(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested

for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

"(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico."

SEC. 14. Section 304(c) of such Act is amended by striking out the second paragraph thereof and inserting in lieu thereof the following:

"That portion of the quantity of sugar and liquid sugar which is included within the following intervals of short tons, raw value:

	"Reduction in the basic rate of payment per hundredweight of such portion
"350 to 700	$.10
700 to 1,000	.20
1,000 to 3,000	.30
3,000 to 6,000	.40
6,000 to 12,000	.50
More than 12,000	.60"

SEC. 15. Section 404 of such Act is amended by inserting ", fees" after the word "penalties" in the second sentence thereof.

SEC. 16. Section 408 of such Act is amended by striking out "(a)" at the beginning thereof and by striking out all of subsection (b) thereof.

SEC. 17. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

SEC. 18. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 19. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954

is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" and inserting in lieu thereof "1967" and by striking out "1963" and inserting in lieu thereof "1968".

SEC. 20. (a) Except as otherwise provided, the amendments made by this Act shall become effective January 1, 1962.

(b) The amendments made by section 6 and section 12 of this Act shall each become effective on the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier. The amendment made by section 14 of this Act shall apply only with respect to the 1963 crop year and subsequent crop years.

Passed the House of Representatives June 19, 1962.

Attest: RALPH R. ROBERTS,

Clerk.

Calendar No. 1591

87TH CONGRESS
2D SESSION

H. R. 12154

[Report No. 1631]

AN ACT

To amend and extend the provisions of the Sugar Act of 1948, as amended.

JUNE 20, 1962
Read twice and referred to the Committee on Finance

JUNE 26, 1962
Reported with an amendment

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 87th CONGRESS, SECOND SESSION

Vol. 108 WASHINGTON, TUESDAY, JUNE 26, 1962 No. 106

Senate

The Senate met at 12 o'clock meridian, and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Our Father, God, as for this quiet moment we look away from our mundane tasks to Thee, strip us of our illusions, create in us clean hearts, O God, and renew a right spirit within us.

In our hearts as we come is the grateful remembrance that Thy patience outlasts all our dullness of apprehension and all our stupid choices. In spite of the worst things in us, which we despise, Thou knowest that in our highest hours our deepest desire is to be true servants of Thy will in these troublous times, giving our best ability to the welfare of Thy children everywhere. May we rise above all bitterness by an unshakable belief in the shining splendor of humanity.

Gird us to stand in an evil day with principles never compromised and with integrity never sullied.

We ask it in the name of Him who is the way, the truth, and the life. Amen.

THE JOURNAL

On request of Mr. HUMPHREY, and by unanimous consent, the reading of the Journal of the proceedings of Monday, June 25, 1962, was dispensed with.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed the following bills of the Senate, severally with an amendment, in which it requested the concurrence of the Senate:

S. 2164. An act to authorize the Secretary of the Interior to cooperate with the First World Conference on National Parks, and for other purposes;

S. 3161. An act to provide for continuation of authority for regulation of exports, and for other purposes; and

S. 3203. An act to extend the Defense Production Act of 1950, as amended, and for other purposes.

The message also announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H.R. 8738. An act to amend section 1 and 5b of chapter V of the Life Insurance Act for the District of Columbia;

H.R. 9441. An act to exempt life insurance companies from the act of February 4, 1913, regulating loaning of money on securities in the District of Columbia; and

H.R. 9954. An act to amend the act of June 6, 1924, chapter 270 (43 Stat. 463), relating to the National Capital Park and Planning Commission, as amended by the National Capital Planning Act of 1952 (66 Stat. 781; 40 U.S.C. 71).

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the President pro tempore:

S. 860. An act to provide greater protection against the introduction and dissemination of diseases of livestock and poultry, and for other purposes;

S. 1834. An act to further amend the act of August 7, 1946 (60 Stat. 896), as amended, by providing for an increase in the authorization funds to be granted for the construction of hospital facilities in the District of Columbia; by extending the time in which grants may be made; and for other purposes;

S. 3063. An act to incorporate the Metropolitan Police Relief Association of the District of Columbia;

S. 3266. An act to amend section 2 of the act entitled "an act to create a Library of Congress Trust Fund Board, and for other purposes," approved March 3, 1925, as amended (2 U.S.C. 158), relating to deposits with the Treasurer of the United States of gifts and bequests to the Library of Congress and to raise the statutory limitation provided for in that section;

S. 3291. An act to amend section 14(b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury;

S. 3350. An act to amend the act of August 7, 1946, relating to the District of Columbia hospital center to extend the time during which appropriations may be made for the purposes of that act;

H.R. 3444. An act to approve an order of the Secretary of the Interior adjusting, deferring, and canceling certain irrigation charges against non-Indian-owned lands under the Wind River Indian irrigation project, Wyoming, and for other purposes;

H.R. 7723. An act to amend section 303(a) of the Career Compensation Act of 1949 by increasing per diem rates and to provide reimbursement under certain circumstances for actual expenses incident to travel;

H.R. 10459. An act to provide for the conveyance of 39 acres of Minnesota Chippewa tribal land on the Fond du Lac Indian Reservation to the SS. Mary and Joseph Church, Sawyer, Minn.;

H.R. 11057. An act to declare that the United States holds certain lands on the Eastern Cherokee Reservation in trust for the Eastern Band of Cherokee Indians of North Carolina;

H.R. 11743. An act to amend the provisions of title III of the Federal Civil Defense Act of 1950, as amended; and

S.J. Res. 192. Joint resolution providing for the filling of a vacancy in the Board of Regents of the Smithsonian Institution, of the class other than Members of Congress.

HOUSE BILLS REFERRED

The following bills were severally read twice by their titles and referred to the Committee on the District of Columbia:

H.R. 8738. An act to amend sections 1 and 5b of chapter V of the Life Insurance Act for the District of Columbia;

H.R. 9441. An act to exempt life insurance companies from the act of February 4, 1913, regulating loaning of money on securities in the District of Columbia; and

H.R. 9954. An act to amend the act of June 6, 1924, chapter 270 (43 Stat. 463), relating to the National Capital Park and Planning Commission, as amended by the National Capital Planning Act of 1952 (66 Stat. 781; 40 U.S.C. 71).

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. HUMPHREY, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDENT pro tempore. Without objection, it is so ordered.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. HUMPHREY, and by unanimous consent, the Permanent Subcommittee on Investigations, of the Government Operations Committee; the Constitutional Rights Subcommittee, of the Judiciary Committee, and the subcommittee on Public Health of the Committee on the District of Columbia were authorized to meet during the session of the Senate today.

On request of Mr. HUMPHREY, and by unanimous consent, the Committee on Finance was authorized to meet during the session of the Senate today.

RESOLUTION OF KANSAS STATE BAR ASSOCIATION

Mr. PEARSON. Mr. President, the Bar Association of the State of Kansas at its recent annual meeting at Topeka, Kans., urged their congress to remove monetary limitations upon the jurisdiction of the district courts in civil actions against the United States.

I request unanimous consent to have the pertinent resolution printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD as follows:

Whereas 28 U.S.C. 1346(a)(2) (popularly known as the Tucker Act) limits the jurisdiction of the U.S. district courts in contract actions against the United States to claims of $10,000 and less, notwithstanding other grants of unlimited jurisdiction to such courts in tax refund and tort claim actions against the United States; and

Whereas this jurisdictional limitation is burdensome to lawyers and litigants in that it requires larger claims to be tried in the Court of Claims in Washington, D.C., rather than in the forum of the claimant's residence or in the forum where the contract may have been executed; and

Whereas a specialized tribunal has not been found to be necessary or desirable to determine Government liability in noncontract actions or in contract actions involving claims of $10,000 or less; and

Whereas recent enlargements in the Federal judiciary should permit these claims to be tried expeditiously in district courts if claimants could elect to bring them in such courts rather than in the Court of Claims: Now, therefore, be it

Resolved by the Bar Association of the State of Kansas at its annual meeting at Topeka, Kans., on May 10, 11, 12, 1962—

1. That the executive council memorialize the Congress of the United States to remove all monetary limitations upon the jurisdiction of the district courts in civil actions against the United States; and

2. That copies of this resolution be sent to Senators Frank Carlson and James B. Pearson; Representatives William Avery, Floyd Breeding, Robert Dole, Robert Ellsworth, Walter McVey, and Garner Shriver; Attorney General Robert Kennedy; and to the Honorable Alfred P. Murrah, chief judge, 10th Circuit Court of Appeals.

Passed unanimously by the general assembly of the Bar Association of the State of Kansas in its annual meeting on May 14, 1962, at Topeka, Kans.

HARRY O. JANICKE,
President.
JOHN W. SHUART,
Executive Secretary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. ENGLE, from the Committee on Armed Services, with amendments:

S. 1108. A bill authorizing the conveyance of certain property in the city of San Diego to the regents of the University of California (Rept. No. 1630).

By Mr. BYRD of Virginia, from the Committee on Finance, with an amendment:

H.R. 12154. An act to amend and extend the provisions of the Sugar Act of 1948, as amended (Rept. No. 1631).

BILL AND JOINT RESOLUTION INTRODUCED

A bill and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. KEFAUVER:

S. 3474. A bill for the relief of Cathie Lee Clark; to the Committee on the Judiciary.

By Mr. ROBERTSON (for Mr. STENNIS):

S.J. Res. 204. Joint resolution proposing an amendment to the Constitution of the United States to permit the use of prayer in public schools; to the Committee on the Judiciary.

(See the remarks of Mr. ROBERTSON when he introduced the above joint resolution, which appear under a separate heading.)

AMENDMENT AND EXTENSION OF SUGAR ACT OF 1948—AMENDMENTS

Mr. MORTON. Mr. President, I send to the desk two amendments to H.R. 12154, which is the sugar bill, or act, to amend and extend the provisions of the Sugar Act of 1948, as amended.

These amendments will not both be adopted, since they appear at the same point in the bill. They are different means of achieving my purpose in offering the amendments, which is to protect the American consumer in the matter of the price of sugar.

I ask that the amendments to the bill be printed and lie on the desk, notwithstanding the fact that the bill itself will be reported to the Senate only tonight.

The PRESIDENT pro tempore. The amendments will be received, printed, and lie on the desk.

PRINTING OF REVIEW OF REPORTS ON J. PERCY PRIEST RESERVOIR, STONES RIVER, TENN. (S. DOC. NO. 102)

Mr. METCALF. Mr. President, on behalf of the Senator from New Mexico [Mr. CHAVEZ], chairman of the Committee of Public Works, I present a letter from the Secretary of the Army, transmitting a report dated April 17, 1962, from the Chief of Engineers, Department of the Army, together with accompanying papers and illustrations, on a review of the reports on the J. Percy Priest Reservoir, Stones River, Tenn., requested by a resolution of the Committee on Public Works, U.S. Senate, adopted February 20, 1960. I ask unanimous consent that the report be printed as a Senate document, with illustrations, and referred to the Committee on Public Works.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE APPENDIX

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the Appendix, as follows:

By Mr. KEFAUVER:

Excerpts from address delivered by Clarence Streit, published in the Freedom and Union magazine of June 1962.

Excerpts from address delivered by Hon. John J. McCloy, before the Harvard Law School Association of New York City, on May 7, 1962.

By Mrs. NEUBERGER:

Article on the Morrill Act and Oregon State University.

By Mr. WILEY:

Article entitled "Meeting the Competition in the World Market," written by Charles V. Schelje, vice president, General Electric Co., and published in the General Electric Forum of recent date.

Article entitled "Handicaps Couldn't Stop the Famous," published in a recent issue of the Milwaukee Journal.

By Mr. WILLIAMS of New Jersey:

Article entitled "Trenton Twins To Join Peace Corps," published in the Trenton Evening News of recent date, and an editorial entitled "Prize Exhibit," published in the Newark Evening News, June 11, relating to the fact that the twin sons of the New Jersey Secretary of State, Robert Burkhardt, have been selected as volunteers for the Peace Corps.

By Mr. HICKEY:

Article entitled "Keynote: Diversity—The Story of Land-Air Cheyenne," published in the May 1962 issue of Dynalectron News, relating to the Cheyenne Division of Land-Air Inc., which specializes in avionics and electronic engineering.

Article entitled "U.S. Stockmen Showing Greater Concern Over Mounting Volume of Meat Imports," published in the West Texas Livestock weekly of May 24, 1962, relating to the impact of meat imports upon the American livestock industry.

By Mr. ROBERTSON:

Text of article entitled "The Arlington Plank."

By Mr. THURMOND:

Address by Hon. Gene Robens before the 15th annual conference of the Military Government Association, June 16, 1962.

THE CANADIAN FINANCIAL CRISIS

Mr. GORE. Mr. President, I ask unanimous consent to have printed at this point in the RECORD an editorial entitled "The Canadian Lesson," which appears today in the New York Times. I wish to call particular attention to the concluding paragraph of the editorial, which, for emphasis, I should like to read:

This does not mean that the Canadian crisis does not have its lessons for us. But there is no need to panic and cut back on programs vital to growth. Foreign confidence must be maintained; but this is best done by demonstrating that the American economy is competitive and increased efficiency depends on expansion. Our problem

a story, they fall all over themselves. They even assume their assignment is henceforth to defend the man's every action and to protect him from hostile questioners.

This leads, as it has in the Kennedy administration, to an unhealthy relationship. Thus many newspapermen, who know better, did not protest the midnight calls from G-men to reporters who were covering a phase of the big steel story.

The President compounded that blunder by trying twice to laugh it off.

OTHER DEFICIENCIES

The President's press conference is deficient in other respects. Unlike President Eisenhower, who stood on the same floor level with the newspapermen, President Kennedy insists on being elevated on a rostrum. The questioner must thus look up to him and he looks down at the newsman.

The auditorium in which the conference is held is cavernous, more like a large theater than a room in which one might engage in give-and-take with the Chief Executive as in the Truman and Roosevelt days.

At his latest news conference the President used 10 precious minutes reading a statement that could have been mimeographed and handed out at the White House.

Although there were heated discussions by newsmen in the outer hall about the Romagna and Herald Tribune episodes when they came into the conference auditorium not one of the regulars asked a question about either. Whether it was the presence of the cameras, or the experience of previous complaints from the White House, or the grim look on Mr. Kennedy's face, they blew the big stories.

A solution, perhaps, to this creeping censorship would be that the press corps request an end to the televised press conferences under the present circumstances. The omnipresence of the cameras, among other things, seems to be inhibiting the newsmen. This is no service to the public, or the press, or, I suspect, in the long run to Mr. Kennedy himself.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

THE LATE SENATOR CASE, OF SOUTH DAKOTA

Mr. CARROLL. Mr. President, I want to express my deep sense of loss at the passing of our colleague, Senator Francis Case, of South Dakota. We had known one another since I first entered the Congress in 1947, when he also was a Member of the House, and our wives and families are good and warm friends.

Senator Case was one of the most competent Members of this great body. He was highly regarded by us all for his skill and his diligence. He was an honest, courageous, and dedicated public servant in the truest sense of those words. He never shrank from a fight on behalf of his high principles and firm convictions, and he never allowed partisanship to obscure his sense of fairness and propriety.

Those of us from Western States will always be indebted to Senator Case for his leadership in matters concerning development of natural resources in our region. He contributed much to the Nation with his work on weather modification research, desalination of water, highway problems, synthetic liquid fuels, including development of oil from shale, and similar matters which are of great concern to our region.

But the Nation as a whole always occupied first place in his thinking, and this was reflected in his outstanding work as a member of the Armed Services and Public Works Committees.

He was indeed a U.S. Senator from South Dakota in the full meaning of those words. He represented both his State and the Nation, and he did a fine, workmanlike job on behalf of both. We will miss him.

On behalf of Mrs. Carroll and our daughter, I wish to express our deepest, heartfelt sympathy to Mrs. Case and her family in this time of bereavement.

Mr. HUMPHREY. Mr. President, I join with the distinguished junior Senator from Colorado in the expression of sympathy and condolences to Mrs. Case, her daughter, and other members of the family of our late beloved colleague, Senator Francis Case, of South Dakota. South Dakota is my native State, and it has surely been ably represented in the U.S. Senate.

Senator Case stood as a symbol of personal and political integrity. His record is one of great courage and dedication to the public interest. We shall miss this fine public servant, as will the people of his State.

I am most pleased to be able to associate myself today with the generous, yet factual and true remarks of the Senator from Colorado.

Mr. ANDERSON. Mr. President, like the able Senator from Minnesota, I am glad to associate myself with the remarks of the distinguished Senator from Colorado. I hope that fitting recognition will be made of the many worthwhile contributions he made to the public welfare both on the committees of which he was a member and in the Senate itself.

For example, Francis Case was a leader in the study of the production of artificial rainfall. Also, his work in the field of desalination of water was extremely important. One of the first two plants established in connection with the brackish water development is located in his State of South Dakota and stands as a tribute to the work of Senator Case in that situation.

Having attended college with him and having known him for a long time, I regarded him as one of the finest men ever to serve in this body.

I am glad the Senator from Colorado has made the statement he has made today, in which he was joined by the able Senator from Minnesota.

Mr. CARROLL. Mr. President, I thank the Senator from Minnesota and the Senator from New Mexico for their kind remarks. I feel certain that the family of Senator Case will be pleased to know that on this day, when the funeral is taking place in South Dakota, we who would have liked to attend, but could not because of circumstances beyond our control, desired to make these few remarks to the family during their time of sorrow.

AMENDMENT AND EXTENSION OF SUGAR ACT OF 1948

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1591, H.R. 12154, the amendment and extension of the Sugar Act of 1948, as amended, which has now been reported, and that it be made the pending business.

The PRESIDING OFFICER. The bill will be stated by title.

The CHIEF CLERK. A bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Finance, with an amendment.

ENROLLED BILLS AND JOINT RESOLUTION PRESENTED

The Secretary of the Senate reported that on today, June 26, 1962, he presented to the President of the United States the following enrolled bills and joint resolution:

S. 860. An act to provide greater protection against the introduction and dissemination of diseases of livestock and poultry, and for other purposes;

S. 1834. An act to further amend the act of August 7, 1946 (60 Stat. 896), as amended, by providing for an increase in the authorization funds to be granted for the construction of hospital facilities in the District of Columbia; by extending the time in which grants may be made; and for other purposes;

S. 3063. An act to incorporate the Metropolitan Police Relief Association of the District of Columbia;

S. 3266. An act to amend section 2 of the act entitled "An act to create a Library of Congress Trust Fund Board, and for other purposes," approved March 3, 1925, as amended (2 U.S.C. 158), relating to deposits with the Treasurer of the United States of gifts and bequests to the Library of Congress and to raise the statutory limitation provided for in that section;

S. 3291. An act to amend section 14(b) of the Federal Reserve Act, as amended, to extend for 2 years the authority of Federal Reserve banks to purchase U.S. obligations directly from the Treasury;

S. 3350. An act to amend the act of August 7, 1946, relating to the District of Columbia hospital center to extend the time during which appropriations may be made for the purposes of that act; and

S.J. Res. 192. Joint resolution providing for the filling of a vacancy in the Board of Regents of the Smithsonian Institution, of the class other than Members of Congress.

ADJOURNMENT

Mr. HUMPHREY. Mr. President, there being no further business to come before the Senate today, I move that the Senate adjourn.

The motion was agreed to; and (at 2 o'clock and 52 minutes p.m.) the Senate adjourned until tomorrow, Wednesday, June 27, 1962, at 12 o'clock meridian.

House of Representatives

TUESDAY, JUNE 26, 1962

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Job 22: 21: *Acquaint now thyself with Him and be at peace; thereby good shall come unto thee.*

O Thou who art the help and hope of all who come unto Thee with their trials and tribulations, their sorrows and sins, may we offer our noonday prayer in faith and humility, in simplicity and sincerity.

We penitently acknowledge that without Thy sustaining presence and power our life ebbs out its little day in futility and frustration, in weakness and weariness.

May we be assured that the Master's spirit of love and peace will someday be gloriously triumphant despite devastating revolutions and world-shaking crises.

In His name we offer our prayer. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed without amendment a bill of the House of the following title:

H.R. 7723. An act to amend section 303 (a) of the Career Compensation Act of 1949 by increasing per diem rates and to provide reimbursement under certain circumstances for actual expenses incident to travel.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 3840. An act to provide for the conveyance of certain real property of the United States to the Caroline Power & Light Co.; and

H.R. 8773. An act to amend section 265 of the Armed Forces Reserve Act of 1952, as amended (50 U.S.C. 1016), relating to lump-sum readjustment payments for members of the Reserve components who are involuntarily released from active duty, and for other purposes.

The message also announced that the Senate had passed with amendments, in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 11879. An act to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes.

The message further announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. BYRD of Virginia, Mr. KERR, Mr. LONG of Louisiana, Mr. WILLIAMS of Delaware, and Mr. CARLSON to be the conferees on the part of the Senate.

The message also announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 1912. An act to increase the appropriation authorization for the completion of the construction of the irrigation and power systems of the Flathead Indian irrigation project, Montana.

The message also announced that the Senate insists upon its amendment to the bill (H.R. 11131) entitled "An act to authorize certain construction at military installations, and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. JACKSON, Mr. ENGLE, Mr. CANNON, Mr. BEALL, and Mr. GOLDWATER to be the conferees on the part of the Senate.

CORRECTION OF ROLLCALL

Mr. FINO. Mr. Speaker, on rollcall No. 122, on June 21, 1962, a quorum call, I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the permanent RECORD and Journal be corrected accordingly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

THE PRAYER ROOM IN THE U.S. CAPITOL

Mr. HAYS. Mr. Speaker, by direction of the Committee on House Administration, I call up House Resolution 584 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That there be printed fifty-four thousand four hundred additional copies of House Document Numbered 234, Eighty-fourth Congress, first session, entitled "The Prayer Room in the United States Capitol", of which forty-four thousand one hundred copies shall be for the use of the House of Representatives and ten thousand three hundred copies shall be for the use of the Senate.

With the following committee amendment:

Strike out all after the resolving clause and insert:

"*Resolved,* That there be printed fifty thousand additional copies of House Document Numbered 234, Eighty-fourth Congress, first session, entitled 'The Prayer Room in the United States Capitol', of which forty thousand copies shall be for the use of the House of Representatives and ten thousand copies shall be for the use of the Senate."

Mr. WALTER. Mr. Speaker, will the gentleman yield?

Mr. HAYS. I yield to the gentleman from Pennsylvania.

Mr. WALTER. In view of the decision handed down by the Supreme Court yesterday, does not the gentleman feel that perhaps we are violating some of the tenuous provisions that the Supreme Court has placed in the Constitution of the United States? I certainly do not feel that we ought to violate the provisions of the Constitution by providing for the printing of any documents with respect to the Prayer Room.

Mr. HAYS. I might say to the gentleman, I operate on the theory that everything is OK until the Supreme Court rules against it, and they have not ruled against this, so I think we are safe.

Perhaps someone will bring suit, but in the meantime we have nothing to worry about.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. HAYS. I yield to the gentleman from Iowa.

Mr. GROSS. I am pleased to note that the Supreme Court overnight has not outlawed prayer in the House of Representatives.

Mr. HAYS. I think the House can run its own business. It has done so rather successfully in the past.

The SPEAKER. The question is on the committee amendment.

The committee amendment was agreed to.

The resolution, as amended, was agreed to.

A motion to reconsider was laid on the table.

SEVENTY-FIFTH ANNIVERSARY OF THE INTERSTATE COMMERCE COMMISSION

Mr. HAYS. Mr. Speaker, by direction of the Committee on House Administration I call up House Resolution 651, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That there be printed as a House document the proceedings in observance of the seventy-fifth anniversary of the Interstate Commerce Commission.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

Issued June 28, 1962
For actions of June 27, 1962
87th-2d, No. 107

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HIGHLIGHTS: Senate passed sugar bill. House began debate on foreign trade bill. Sen. Hartke urged increased sugar quota for Philippines. Sen. Curtis inserted Committee counsel Kamerick's statement at Estes hearing. Sen. Talmadge introduced and discussed bill to provide cooperation with States in administration of agricultural laws. Sen. Morse introduced and discussed bill to increase Federal grants for extension work.

SENATE

1. SUGAR. By a vote of 76 to 2, passed with amendments H. R. 12154 the sugar bill (pp. 10979, 10992-5, 11008-40, 11042-64). Conferees were appointed (p. 11064). Agreed to a committee amendment, submitted by Sen. Kerr, to strike out provisions of the bill which would have reduced production payments to domestic producers, thus providing that production payments would continue at the same level as under present law (pp. 11008-15). Agreed to an amendment by Sen. Morton to provide that the Secretary, in determining sugar requirements each year, shall make allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers (p. 11033). Agreed to an amendment by Sen. Carlson to provide that in authorizing the purchase and importation of sugar from foreign countries, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U. S. agricultural commodities (p. 11034). By a vote of 29 to 57 rejected an amendment by Sen. McCarthy to provide for setting minimum wage rates for sugar workers (pp. 11034-40). Sen. McCarthy submitted, but later withdrew, an amendment to modify provisions for the establishment of foreign quotas (pp. 11049-61).

As reported out of committee the bill included provisions as follows: Extends the Sugar Act for 5 years to June 30, 1967. Provides that the Secretary of Agriculture, in determining sugar requirements for each year, shall consider the relationship which would result between the price for raw sugar and the parity index as compared to the relationship between average raw sugar prices and the parity indexes for the period 1957 to 1959, inclusive. Provides for an increase in the quotas for domestic sugar-producing areas by 623,500 tons, assigns to domestic producing areas 65 percent of the annual increase in consumption rate (the present rate is 55 percent), assigns quotas for foreign suppliers, and provides for the temporary filling of the quota reserved for Cuba subject to the payment of a fee approximately equal to the difference between the world market price and the domestic price of sugar. Provides that a deficit in the quota for any domestic area or foreign country would be prorated to quota countries with which we maintain diplomatic relations and which are able to fill such deficit. Authorizes the Secretary to make allotments so as to assure a marketing opportunity for new factories processing sugarbeets grown in new areas during the period when such factories are establishing their marketing history. Provides that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation, with certain exceptions. Provides limitation on direct-consumption sugar, including a limitation of 250,000 tons on direct consumption sugar which may be entered within the proration for Cuba when its quota is operative. Provides a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses. Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas. Clarifies the definition of the term "alcohol" so as to specifically exempt from all quotas the sugar imported for use in the manufacture of polyhydric alcohols. Requires the payment of a fee as a condition for the importation of any sugar acquired in replacement for that which would have been within the proration for Cuba or any other country with which we are not in diplomatic relations. Provides that a fee be paid as a condition for importation of sugar within the quota for foreign countries, other than the Philippines, having prorations. Provides that in any year when production is restricted in the beet sugar area, a national reserve of not more than the acreage required to yield 65,000 tons of sugar be assigned to farms without regard to previous production history for the purpose of making acreage available for expansion of the beet sugar industry. Provides a graduate scale of reductions for decreased payments to domestic growers.

2. FARM PROGRAM; ESTES INVESTIGATION. Sen. Curtis inserted the statement of Paul E. Kamerick, assistant counsel of the Permanent Subcommittee on Investigations of the Government Operations Committee, reviewing the investigation of the Estes case. pp. 11068-70

3. FORESTRY. The Vice-President announced his appointment of Sen. Wiley as a member of the National Forest Reservation Commission to replace former Sen. Case, S. Dak. (p. 10954). Sen. Wiley expressed gratification on his appointment (p. 10998).

Sen. Morse criticized a proposal of the Forest Service to build access roads along the Minam River in Ore. to open a section of the Wallowa-Whitman National Forest to logging, and inserted an editorial suggesting that the proposal be abandoned. pp. 11064-5

4. DEPARTMENT OF SCIENCE. Sen. Humphrey urged the establishment of a Department of Science and Technology and inserted a report of the Center for the Study of Democratic Institutions supporting it. pp. 10985-6

obligation to provide sufficient funds to finance all eligible projects.

The additional $7 million needed this fiscal year for the construction program has had many ups and downs beginning with the supplemental appropriation bill that was passed the day Congress adjourned last September. It will be recalled that the Senate added this item but it was deleted in the conference committee. It was not included in the second supplemental bill that passed the House in April, but fortunately the Senate again added the needed funds. In view of the events in the last few days, it is impossible to tell what will happen to the supplemental bill which is still alive—but just barely.

I understand that 68 eligible school construction projects in 29 States are being held up because of the failure of the two bodies to agree on handling of appropriation bills. This represents a 13 percent shortage of funds for the construction program. The Pulaski County Rural School District in my State has two applications pending. One, in the amount of $270,000, is for construction of a 12-classroom elementary school that will accommodate some 360 schoolchildren. The second application is for $10,089 and will be applied on a second elementary school. This school district has made its plans on the assumption that these funds would be made available. I have no doubt that they will be eventually. But it is unfortunate that work on these projects has been delayed due to the Congress' failure to appropriate the funds for the construction program. Further delay will only accentuate the schoolroom shortage problem. I am sure that other eligible school districts have had to make many adjustments because of the appropriations controversy.

I was the coauthor of the amendment which the Senate adopted overwhelmingly last year to extend the impacted areas assistance programs. With the Congress going on record so overwhelmingly last year in favor of extending these programs, it is inconceivable that it would now fail to live up to the responsibilities it reaffirmed such a short time ago. I certainly hope that the dispute between the Appropriations Committees will be settled in an amicable manner soon in order that the supplemental bill containing the funds for this and many other essential programs can be enacted.

UNITED STATES-PHILIPPINE RELATIONS

Mr. HARTKE. Mr. President, distortions of fundamental amicable relations between the peoples of the Republic of the Philippines and the United States impel my remarks in an effort to put essentials in their proper perspective.

The Sugar Act of 1948 amended and renewed in 1956 expires on June 30, of this year. The Committee on Agriculture of the House of Representatives has conducted extensive hearings on an administration-sponsored bill to amend the Sugar Act in part and to extend remaining provisions. The proposed legislation would recognize a basic quota of 980,000 tons annually as the portion of U.S. requirements to be supplied from the Philippines at prices prevailing in the United States. It should be added here that this volume of sugar as a fixed annual quota for the Philippines was established by a treaty between our respective countries. As far as the law of 1948 and the amendments of 1956 were concerned, no additions were made to the basic treaty quota.

In 1956 all foreign suppliers other than the Philippines were allotted increased proportions of U.S. sugar imports; for one reason or another, the Philippines alone were kept at the treaty provisions without benefits from the new law. This happened in spite of the fact that the treaty contains language authorizing the Congress to increase the allotment to the Philippines and impliedly indicated a prospect of such an eventuality. I take the liberty of quoting from the provision of the United States-Philippine Trade Revision Act of 1955 on this subject:

> The establishment herein of the limitations on the amount of Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increase which the Congress of the United States might allocate to the Philippines in the future.

The current administration proposals for amendment of the Sugar Act, many of them sweeping in their character, particularly in the direction of eliminating the premiums paid in the United States over the so-called world market prices, again recognize only the treaty-established quota of 980,000 tons perannum for the Philippines and make no reference to any improvement in the prospects for an expansion of the opportunities of Philippine producers despite the maintenance of their static position over a long period of time when other foreign suppliers less close to the heart of the United States were repeatedly preferred.

Moreover, when the U.S. sugar market faced a deficiency due to the termination of the Cuban quota of more than 3 million tons the Philippines were called upon to make up a considerable proportion approximating 15 percent of the resulting deficits and did so by straining all of their resources beyond anything that might have been expected in view of the continued maintenance of its dependable U.S. market at 980,000 tons per year.

It is high time that the Congress give consideration to legislation which in the first instance will bolster the sugar industry in the Philippines and make provision for its expansion in the future, and second, will fulfill the promises of the United States to make additional provision for Philippine imports when the Sugar Act should be amended or renewed. President Eisenhower, upon signing the revised sugar law in 1956, held out such a promise when he said:

> It was not considered feasible to recommend an increase in the Philippine quota at this time. I believe, therefore, that when new amendments are being prepared at the conclusion of the present act, consideration should be given to allowing the Philippines to share in increased consumption as is now provided for other foreign countries by this bill.

The sugar industry of the Philippines has always been a basic factor in their economy. In commercial relations with the United States for more than half a century, sugar has been a dominant item. During the 1930's before the adoption of the Jones-Costigan Act, sugar imports from the Philippines amounted to more than 1¼ million tons. The allotment of quotas in which the Philippines acquiesced meant a substantial reduction of Philippine contribution to the sugar supply of the United States at our prices from more than 15 percent to about 10 percent.

During the war the Philippines with no fault of their own suffered a total destruction of sugar lands and equipment so that they shipped no sugar at all to the United States. At the end of the war recovery was slow, and shipments of sugar from the Philippines to the United States was still only a part of the normal supply. In this way, over a period of years the Philippines lost an opportunity to ship to the United States nearly 8 million tons valued at a billion dollars. Most, if not all, of what the Philippines lost, became Cuba's gain.

Through agonizing experiences and with splendid courage and admirable industry the Philippines have rebuilt their sugar business to where it is again first in their economy. Approximately 3 million people out of a population of 28 million depend on sugar for their livelihood, and other businesses and industries like banking, insurance, manufacturing, and shipping are collaterally dependent in large measure upon the prosperity of this activity. Moreover, the sugar industry produces more in taxes for the Philippine Government than any other in the Republic.

Despite the recovery of the sugar industry; despite the response of Philippine sugar producers to the call of the United States when sugar was needed to make up for the deficit created by the withdrawal of the Cuban quota; despite an unspoken obligation to make up for the losses in sugar shipments occasioned by World War II; despite our failure to increase opportunities for participating in the U.S. market on a more extensive basis when our sugar laws were amended although all other foreign suppliers were generously considered; and finally despite explicit promises by the United States to encourage the market for Philippine sugar, the annual quota for the Philippines remains—980,000 tons per year.

The occasion is here for removing this inequity in regard to the Philippine sugar economy and to give this vital industry an opportunity to become mobile. The Philippine sugar producers, historically geared to the U.S. market, should now be given an opportunity to participate in it more actively than in the immediate past with the result on the one hand, that more abundant sugar supplies may be available for the U.S. consumers at all times at stable prices and on the other hand, that Philippine sugar producers and the many millions of people dependent upon them may look hopefully toward brighter business horizons.

NATURAL GAS FOR BARROW, ALASKA

Mr. BARTLETT. Mr. President, several years ago Alaska State Senator Eben Hopson, an Eskimo legislator from Barrow, wrote President Eisenhower as follows:

As you know, the Eskimo people in Alaska live facing the Russian frontier and I think it would be the most wonderful thing you, as President, could do if you would show to the world that the United States, no matter how large it is, still is considerate of the hardships facing its own people, and despite Government redtape, will give quick relief and assistance when sincerely and desperately needed.

The Senate yesterday proved the hope of Senator Hopson was justified. We have not become too large as a Nation to recognize and consider the legitimate need of even the smallest group of Americans. We are still able, despite the press of our worldwide obligations to consider and correct difficulties at home.

The bill which passed the Senate yesterday, S. 2020, will, following House action and approval by the President, allow the sale of natural gas to the civilian community of Barrow, Alaska. Barrow, a community of about 1,400 persons, mostly Eskimos, is near what has been described by the Director of Naval Petroleum Reserves, Capt. Kenneth C. Lovell U.S. Navy, as a bubble of natural gas estimated to contain nearly 64 million cubic feet of fuel. Notwithstanding that there are producing wells drawing this fuel from beneath the village to supply Federal installations in and near the village not one drop of gas has been of benefit to the civilian population. The Barrow people have been forced to rely on oil transported from far ports in California or on coal carried by sled from a small deposit located 75 miles away from their homes. The cost of this fuel has been enormous in terms of heating costs elsewhere. The people of Barrow have paid $42 per ton for coal and 60 cents per gallon for oil. The total fuel bill for this small community has averaged around $250,000 per year.

While the people of Barrow have paid this enormous price for heating their houses, Government agencies, some of which are located in buildings in the heart of the community, have been heated with natural gas from a pipeline running directly past homes and business establishments.

Enactment of S. 2020 will not in any way subsidize the Barrow community. In justifying the economics of this proposition the Navy estimates that within 18 years under conservative estimates of consumption and price the entire cost of the construction of a new well at Barrow would be fully paid. These estimates, by the way, would allow a significant reduction of fuel costs to the Barrow community and in turn would give to the villagers an opportunity to have adequate heating where in the past their homes have not always been as warm as is healthy.

Mr. President, I ask unanimous consent that there be printed in the RECORD the statements of Capt. Kenneth C. Lovell, Director of Naval Petroleum and Oil Shale Reserves and that of Assistant Commissioner of Indian Affairs, Martin P. Mangan, which were offered before the Armed Services Committee during hearings on the Barrow gas bill.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

STATEMENT BY CAPT. KENNETH C. LOVELL

Mr. Chairman and members of the committe, I am Capt. Kenneth C. Lovell, Civil Engineer Corps, U.S. Navy, Director of Naval Petroleum and Oil Shale Reserves. I appreciate the opportunity you have given me, of appearing here before you today to offer some additional information and data concerning S. 2020, a bill to authorize the Secretary of the Navy to make gas available from the South Barrow gas field in naval petroleum reserve No. 4 to the civilian community of Point Barrow.

Naval petroleum reserve No. 4 consists of approximately 35,000 square miles on the arctic slope of Alaska, bounded, generally, by the Brooks Range, the Arctic Ocean, and the Colville River. This area, about the size of the oil-producing region of Oklahoma, may contain just about as many likely prospects for oil and gas fields as does Oklahoma. Exploration of the reserve for oil and gas was commenced in 1944, when the Canol prospect dimmed. The Canol project included the production of oil from the Norman Wells field on the MacKenzie River in the Northwest Territories of Canada, the transportation of this crude oil by pipeline to a refinery built at Whitehorse, Yukon Territory of Canada, and the distribution of the products from this refinery by pipelines to Watson Lake, Canada and Skagway and Fairbanks, Alaska. This time coincidence is the only relationship between the Canol project and our naval petroleum reserve in Alaska. Norman Wells, the production location for Canol, is approximately 900 miles southeast of Point Barrow, the location we are discussing today.

During exploration in naval petroleum reserve No. 4, between 1944 and 1953, two gasfields and three oilfields were found. Of these, only one—the South Barrow Gas Field—is being produced at the present time.

The naval petroleum reserves exist for the purpose of conserving oil in the ground, for production in time of emergency in order that petroleum products may then be available for the machines of industry and national defense. The difference between that purpose, and the situation that exists at Point Barrow is significant. We do not have oil at Point Barrow; we have gas. As far as we have been able to determine, there is not a drop of oil in the formation from which gas is now being produced in the South Barrow Gas Field. We have only a bubble of gas, floating on a sea of underground water. True, it is a pretty fair sized bubble—about ten billion cubic feet, we compute.

There is oil in naval petroleum reserve No. 4—probably a lot of oil. We do not know nearly as much about exactly where the oil is, or how much can be recovered, as we should like to know. When the need for this arctic oil becomes more imminent, we shall have to go back to work up there, developing our known oil fields and finding some of the others that are almost certain to exist, aided by interim advancements in the technology of finding and producing oil.

However, we do have a fair amount of knowledge concerning the South Barrow gasfield. From five wells that were drilled in the immediate vicinity, and the geophysical surveys of the area, we have been able to deduce that the horizontal projection of the gas bubble is roughly shaped like a right triangle, with a base length of approximately 1 mile and an altitude length of approximately 2 miles. There the gas is trapped atop the underground ocean, held on the south and east sides by intersecting geologic faults, with a roof of impervious rock sloping down into the water on the north. This, then, places in perspective the 1 square mile of area—out of the 35,000 square miles making up Naval Petroleum Reserve No. 4—with which S. 2020 is concerned.

Now the Navy, at sea and in the air, does not have much use for natural gas. We cannot ship it all over the world to power ships, planes or submarines. Oil is different; it can be converted into boiler fuel, diesel fuel, jet fuel, gasoline, and so on. These we can and do transport and use at sea and in the air, because of our need for them, we zealously guard and protect every possible drop of oil in our naval petroleum reserves. In some of our fields, where gas is associated in the ground with oil, the gas is also highly prized and zealously protected, because of its usefulness in driving the oil out of the ground when emergency production is needed. But this is not the case in the South Barrow gasfield. Here we have no known oil in this single square mile of area, we have only gas. There is not enough gas to justify the construction of a pipeline hundreds of miles to other military installations in Alaska. There is not enough gas for any practicable use other than the fulfillment of local fuel requirements. There is enough gas—10 billion cubic feet of it, we think—to fulfill these local energy requirements for the foreseeable future.

However, the laws under which the Navy administers the naval petroleum and oil shale reserves for the Congress do not now recognize and provide for the singular situation that exists at Barrow. It is the purpose of the bill we are discussing here today to amend these existing laws in such a manner that the unique situation at Barrow may be given recognition, and that logical action may be taken in the light of that recognition.

The present law places an obligation on the Navy to protect and conserve all of the oil and gas in the reserves, as custodians for the Congress. We accept that obligation willingly and without purpose of evasion, with respect to every puddle of oil and every bubble of gas that may exist anyplace in any of the reserves. Although the act of making gas available to the civilian community at Barrow cuts directly across the grain of the Navy's present obligation of conservation and protection for defense purposes, making the gas available should, under these singular circumstances, be accomplished. Aside from being a sound business proposition, it is a logical and a conscionable deed. In such a context, the lifting of present obligations with respect to the South Barrow gasfield is recommended. Since, however, the implementation of such a recommendation would be an exception to the basic trusteeship placed in the Navy by the Congress, the recomendation of the Navy is subject to the overriding precept of the congressional will. It is for this reason that the Department's report to this committee on S. 2020 contains the phrase, "should it be the desire of the Congress." No equivocation as to the Department's recommendation was then, or is now intended.

The citizens of this most northern community under the stars and stripes consider it somewhat ironical for them to have to transport fuel by ship or aircraft all the way from California (in the case of oil), or by sled over 70 miles of frozen tundra or by barges on the Arctic Ocean (in the case of coal), when the Government pipeline runs right past their houses and business establishments, full of gas that is produced only 5 miles away, from beneath lands on which they and their ancestors have lived and hunted for generations.

We moved as the spirit listed. They never altered their pace,
Being neither cloud nor wind-borne like the gods of the marketplace;
But they always caught up with our progress, and presently word would come
That a tribe had been wiped off its icefield, or the lights had gone out in Rome.

With the hopes that our world is built on, they were utterly out of touch.
They denied that the moon was Stilton; they denied she was even Dutch.
They denied that wishes were horses; they denied that a pig had wings.
So we worshipped the gods of the market who promised these beautiful things.
When the Cambrian measures were forming, they promised perpetual peace.
They swore, if we gave them our weapons, that the wars of the tribes would cease.
But when we disarmed they sold us and delivered us bound to our foe,
And the gods of the copybook heading said: "Stick to the Devil you know."

On the first feminian sandstones we were promised the fuller life
(Which started by loving our neighbour and ended by loving his wife)
Till our women had no more children and the men lost reason and faith,
And the gods of the copybook headings said: "The wages of sin is death."

In the carboniferous epoch we were promised abundance for all,
By robbing selected Peter to pay for collective Paul;
But, though we had plenty of money, there was nothing our money could buy,
And the gods of the copybook headings said: "If you don't work you die."

Then the gods of the market tumbled, and their smooth-tongued wizards withdrew,
And the hearts of the meanest were humbled and began to believe it was true
That all is not gold that glitters, and two and two make four—
And the gods of the copybook headings limped up to explain it once more.

As it will be in the future, it was at the birth of man—
There are only four things certain since social progress began:—
That the dog returns to his vomit and the sow returns to her mire,
And the burnt fool's bandaged finger goes wabbling back to the fire;
And that after this is accomplished, and the brave new world begins
When all men are paid for existing and no man must pay for his sins,
As surely as water will wet us, as surely as fire will burn,
The gods of the copybook headings with terror and slaughter return!

"FROM THE FISCAL WILDERNESS"

Mr. BYRD of Virginia. Mr. President, the leading editorial in the Wall Street Journal of Friday, June 22, 1962 was entitled "From the Fiscal Wilderness."

The editorial deals with our domestic fiscal condition and the run on our gold from abroad, and—quoting Treasury officials—shows the relation between the two situations.

It is an editorial which should be read by Members of Congress and the general public as well. For this reason I ask unanimous consent to have it published in the RECORD as part of these remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

FROM THE FISCAL WILDERNESS

The Kennedy government came to office in the wake of a run on our gold reserves, and ever since it has talked about its efforts to reduce the balance-of-payments deficit, stanch the flow of gold, and thus restore international confidence in the dollar.

And yet, 18 months later, foreign worry about the dollar is, if anything, growing. The payments deficit is still huge. This year's gold loss promises to be bigger than last year's. Rumors of dollar devaluation by raising the price of gold have jacked up the price of gold mining shares in otherwise declining stock markets. This is occasioning increasingly frequent official denials that any devaluation is even remotely contemplated.

What is the matter? Why are foreigners, who have the capacity to just about wipe out what is left of our gold reserve, unconvinced about the dollar's future?

We think Treasury Under Secretary Robert Roosa gave the answer simply and well in testimony before the Senate Banking Committee this week. He said that foreign confidence in the dollar depends mainly on a steady reduction of the payments deficit accompanied by U.S. Government fiscal responsibility. While he thought European financiers might not take further fright from next year's proposed tax cuts, he suggested that they would definitely like to see a ceiling on Federal spending.

On the same day, by coincidence or otherwise, Treasury Under Secretary Henry Fowler sought to calm the fears about foreign fears. Most significantly, he observed the European bankers won't be unduly concerned about U.S. fiscal policy "provided it is disciplined and controlled and is not allowed to contribute to an inflationary surge.

Fiscal responsibility. Fiscal discipline and control. When one hears such words one wonders if they are really coming from the same administration that includes Walter Heller and others who are so eager to build more deficits. For by all indications, including statements from the President, the present policy calls for a new inflationary, deficit-spending binge.

Well, the blunt truth is that Mr. Heller is wrong and Mr. Roosa is right. The Europeans know it. Reputable economists know it. Bankers at home and abroad know it.

As John Exter, senior vice president of the First National City Bank, has put it: "The great leaders of history have seen the importance of sound money. In our time Adenauer and Erhard saw it and worked the German miracle. De Gaulle saw it and revitalized France. In Italy Einaudi saw it. In Austria Kamitz saw it."

Bringing the point directly to bear on our dollar troubles, Mr. Exter said that there is a lot of mystique and confusion about the payments deficit but that it is much simpler than it looks. The deficit is the result of loose Government financial policies at home and abroad: "It is a question of creating too much money."

Perhaps the saddest part of the whole sorry business is the way some administration officials insist on pouring mystical and confusing words over the central problem. President Kennedy himself says that such questions are terribly complicated and can't be answered by economic cliches. That can hardly be described as facing up to the fact that the lack of confidence in the dollar is the consequence of years of Government overspending coupled with this newly declared policy of continuing the same drastic course.

For the sake of all of us, we wish the President would listen to the voice of history—and to the rare voices of reason from Washington's wilderness.

NATIONAL SERVICE LIFE INSURANCE TO VETERANS

Mr. LONG of Louisiana. Mr. President, it is my pleasure to announce that today the chairman of the Senate Committee on Finance has received letters from the Director of the Budget Bureau and the Administrator of the Veterans' Administration which I feel will go a long way in resolving the impasse on certain veterans' legislation.

As most of us are aware, the Senate has on numerous occasions, including twice in this Congress, passed bills to permit for a certain period of time the granting of national service life insurance to veterans formerly eligible for such insurance, but such bills have never been acted upon by the House Membership.

This Congress the NSLI reopening bill was a part of two other pieces of veterans' legislation, perhaps the more important of which is the bill to raise the compensation rates for disabled veterans. The disabled veterans' compensation rate increase bill has great importance and strong support; but it has not been enacted into law because of the refusal of the House Veterans' Affairs Committee to have it considered by the full House, along with the NSLI reopening bill.

As I said, I believe that this impasse will shortly be resolved because today the Bureau of the Budget has said it has no objections to the passage of an NSLI reopening bill, and the Veterans' Administration has said that it supports such a bill.

This is a change on the part of these two agencies of the administration, for they both opposed such legislation in the past. However, a reexamination of the merits of the legislation under the capable leadership of President Kennedy, the Veterans' Administration Administrator, Mr. Gleason, and the Bureau of the Budget Director, Mr. Bell, has led the administration to the conclusion that such legislation can be enacted without detriment.

There are some modifications which the Veterans' Administration and the Bureau of the Budget evidently feel should be made, but I feel that these modifications can be accepted and a bill sent to the Senate by the Finance Committee which will satisfy not only the administration but also those of us who have long sought such legislation.

Therefore, it is my hope that the Finance Committee will soon act on NSLI reopening legislation, send it to the Senate, and that the Senate will pass it so that the House will have another opportunity to consider this very important proposal. I now feel there is great hope that, before this Congress adjourns, we shall have enacted into law a proposal to allow millions of veterans an opportunity to take out national service life insurance.

At this point in my remarks, I ask unanimous consent that there be printed the letters from the Bureau of the Budget Director and the Veterans' Administration Administrator to the chairman of the Senate Finance Committee. Along with the letter from the Veterans' Administration, there was transmitted to the Senate Finance Committee a draft copy of a bill to reopen national service life insurance, which closely parallels my most recent bill in this area, S. 3289.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

EXECUTIVE OFFICE OF
THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 27, 1962.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate,
New Senate Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of May 24, 1962, requesting the views of the Bureau of the Budget on S. 3289, a bill "to amend title 38, United States Code, to permit, for 1 year, the granting of national service life insurance to veterans heretofore eligible for such insurance."

S. 3289 would establish a 1-year period, beginning approximately 1 year after the date of enactment, during which nondisabled servicemen and veterans, who served in the Armed Forces of the United States, during the period between October 8, 1940, and January 1, 1957, would be eligible to apply for new insurance under the national service life insurance program, or increase protection now held, up to a maximum $10,000. The bill would establish a new trust fund, designated the postservice insurance fund, to receive income from premiums, investments, and appropriated funds, and to pay claims, dividends, and administrative costs. Nondisabled veterans and servicemen who applied for such insurance during the 1-year period would be charged for the additional administrative costs resulting from their participation in the insurance program. S. 3289 would also permit service-disabled servicemen and veterans to be granted insurance under the nonparticipating service-disabled veterans insurance program during the same 1-year period.

S. 3289 is, therefore, similar in many fundamental respects to S. 977, upon which the Bureau of the Budget reported adversely to your committee July 5, 1961. Our reasons for opposing enactment of legislation to reopen the veterans' insurance program as reflected in our report on S. 977 related to the serious problems we foresee in relation to existing servicemen's and veterans' survivor benefits programs; the lack of relationship between the proposed reopening and any service-related need or Government obligation; the lapse of time, both since the termination of the military service periods and the closing of the insurance program; the duplication of the facilities and resources of commercial insurance companies which would occur; and the significant cost to the Government involved.

We have carefully reviewed our previously expressed position. While the review has confirmed our view that there is no compelling need or Government obligation to reopen those long-closed insurance programs, the Bureau of the Budget would not object to a limited period of reopening during which eligibility to take out insurance and keep it in force would be restricted to those not in military service who between October 8, 1940, and January 1, 1957, would have been eligible for insurance. If so limited, our most serious concern would be eliminated—i.e., the potential adverse impact of reopening on the existing comprehensive program of benefits for servicemen and for exservicemen deceased from service-connected causes. We believe that rates for this insurance should be based on the most modern actuarial tables, that it should be fully self-supporting as to administrative expenses and benefit costs, and that the policies issued should be nonparticipating (any surplus funds to be transferred to the general fund of the Treasury).

In summary, therefore, while we do not regard legislation of this sort as necessary, the Bureau of the Budget would not object to legislation limited along the lines outlined above if the Congress sees fit to enact such legislation.

The Veterans' Administration is transmitting a draft bill, in its report to the committee, which provides an acceptable program for reopening.

Sincerely yours,

DAVID E. BELL,
Director.

JUNE 27, 1962.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request for a report on S. 3289, 87th Congress, I am pleased to recommend favorable action by your committee on legislation to authorize, for a limited period, the granting of national service life insurance to veterans heretofore eligible for such insurance.

As you know, the Veterans' Administration submitted an unfavorable report to your committee last year on a bill with a similar purpose. Our position at that time reflected a continuation of the policy of previous administrators regarding the role of the Government in activities of a commercial type such as the life insurance program. Since then, the whole subject has been carefully studied and reevaluated and I have concluded that the withdrawal in 1951 of the privilege theretofore granted to millions of World War II veterans to secure insurance—many of whom had not yet determined their insurance needs—may well have caused hardship or unwise decision in many instances. I believe, therefore, that an extension of this privilege, for a limited period, to veterans who were previously eligible for insurance by reason of service to their country is appropriate. Further, with respect to veterans who served prior to 1951, adequate recognition has not been given to the obligation of the Government toward those veterans whose insurability has been seriously impaired, if not lost, by reason of their service-incurred disabilities. This legislation would properly meet that obligation.

For the above reasons I strongly urge that the Congress enact legislation having the basic objectives of S. 3289. However, to avoid the pyramiding of survivor benefits for deaths in the active service I suggest that the bill be amended to restrict eligibility to take out insurance and keep it in force to those not in the active military service who between October 8, 1940 and January 1, 1957, were eligible for insurance. For administrative reasons I also believe it would be desirable to make such insurance nonparticipating. Veterans' Administration representatives will be pleased to furnish such technical assistance as your staff may desire in developing appropriate language for such amendments.

There is enclosed a detailed analysis covering the provisions of S. 3289; the legislative history of the insurance program since 1940; and data regarding the administrative and other cost aspects of the bill.

We understand that the Bureau of the Budget, in a separate report, is advising your committee that there is no objection to legislation on this subject, if limited along the lines covered by the above suggested amendments.

Sincerely,

J. S. GLEASON, Jr.,
Administrator.

AMENDMENT AND EXTENSION OF SUGAR ACT OF 1948

The VICE PRESIDENT. Is there further morning business? If not, the Chair lays before the Senate the unfinished business, which the clerk will read by title.

Without objection, the Senate resumed the consideration of the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, which had been reported from the Committee on Finance, with an amendment, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: by striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a) (1) For domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	*Short tons, raw value*
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2) (A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin

Islands in any year subsequent to to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: Provided, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1947, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

"(b) For the Republic of the Philippines, in the amount of nine hundred and fifty-two thousand short tons of sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(c)(1) For the six-month period ending December 31, 1962, for foreign countries other than the the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

"(2) For the calendar year 1963 and for each subsequent year, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(3)(A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less, for 1962, the sum of seven hundred and nine short tons, raw value, and the allocations made under subparagraph (C), and, for 1963 and each year thereafter, the sum of fourteen hundred and sixteen short tons, raw value, and the allocations made under subparagraph (C), shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba	88.85
Peru	3.73
Dominican Republic	3.31
Mexico	2.75
Nicaragua	.54
Haiti	.26
Netherlands	.14
China	.14
Panama	.14
Costa Rica	.14
Total	100.00

"(B) For the six-month period ending December 1962, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar year 1963 and for each subsequent year, Canada, United Kingdom, Belgium, British Guiana, and Hong Kong shall be permitted to import into the continental United States a total of fourteen hundred and sixteen short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774).

"(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar year 1963 and for each year thereafter, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

"(4) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest.

"(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that (i) sugar testing in excess of ninety-nine degrees polarization may be authorized for purchase to be further refined or improved in quality in the United States, and (ii) if the Secretary determines that raw sugar is not reasonably available, he may authorize for purchase for direct consumption such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

"(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he may apportion such unfilled amount on such basis to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he may apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. (a) Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately after "sugarbeets or sugarcane" the following: ", limited in any year when proportionate shares were in effect to processings".

(b) Section 205(a) of such Act is further amended by inserting after the second sentence thereof the following new sentence: "The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expended facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation."

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product

or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e)(1) Not more than two hundred and fifty thousand short tons, raw value, of sugar of the proration established for Cuba under section 202(c)(3) for any calendar year may be filled by direct-consumption sugar subject to the provisions of paragraphs (4) and (5) of section 202(c).

"(2) The proration established for each foreign country, except Cuba, which receives a proration of more than ten thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the quantity determined by prorating among such countries, in the same ratio that each country's proration bears to the total of the prorations for such countries, the quantity determined by applying 1.36 per centum to the quotas for foreign countries established under paragraph (1) or (2) of section 202(c). The proration or allocation established for each foreign country which receives a proration or allocation of ten thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 8. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: 2,000,000 gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solid of more than 5 per centum of the total soluble solids, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. Section 212 of such Act is amended by inserting after "alcohol," in clause (4) thereof the following: "including all polyhydric alcohols,".

SEC. 12. A new section 213 is added and inserted immediately after section 212 of such Act as follows:

"SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

"(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) and (5) of section 202(c).

"(c) As a condition for importing sugar into the continental United States pursuant to paragraph (3) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, 1964, 1965, 1966, and succeeding years, which fee in each such year shall be respectively 20, 40, 60, 80, and 100 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), or whenever paragraph (4) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, 1964, 1965, 1966, and succeeding years shall be respectively 0.2, 0.4, 0.6, 0.8, and 1 cent per pound more than the import fee imposed on raw sugar under this paragraph.

"(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts."

SEC. 13. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended to read as follows:

"(b)(1) Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.

"(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a

farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State.

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, and determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportinate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

"(4) The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

"(5) In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.

"(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

"(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico."

SEC. 14. Section 304(c) of such Act is amended by striking out the second paragraph thereof and inserting in lieu thereof the following:

"That portion of the quantity of sugar and liquid sugar which is included within the following intervals of short tons, raw value:

	"Reduction in the basic rate of payment per hundredweight of such portion
"350 to 700	$.10
700 to 1,000	.20
1,000 to 3,000	.30
3,000 to 6,000	.40
6,000 to 12,000	.50
More than 12,000	.60"

SEC. 15. Section 404 of such Act is amended by inserting ", fees" after the word "penalties" in the second sentence thereof.

SEC. 16. Section 408 of such Act is amended by striking out "(a)" at the beginning thereof and by striking out all of subsection (b) thereof.

SEC. 17. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

SEC. 18. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 19. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" in each place it appears therein and inserting in lieu thereof "1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "1962" and inserting in lieu thereof "1967" and by striking out "1963" and inserting in lieu thereof "1968".

SEC. 20. (a) Except as otherwise provided, the amendments made by this Act shall become effective January 1, 1962.

(b) The amendments made by section 6 and section 12 of this Act shall each become effective on the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier. The amendment made by section 14 of this Act shall apply only with respect to the 1963 crop year and subsequent crop years.

The VICE PRESIDENT. The committee amendment is a substitute for the provisions of the bill. Under the precedents of the Senate, it is considered as original text for the purpose of amendment, and not as an amendment in the first degree.

Any amendment should be offered to the committee amendment, and will be in the first degree, and subject to amendment in one degree.

Perfecting amendments have precedence over the question of agreeing to the committee substitute.

The Parliamentarian thought it would be wise to have this statement made at this time for the information of the Senate.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The VICE PRESIDENT. Without objection, it is so ordered.

THE SUPREME COURT DECISION ON THE NEW YORK SCHOOL PRAYER

Mr. KEATING. Mr. President, the Supreme Court's decision invalidating the New York school prayer has caused understandable concern.

The noncompulsory recitation of a nondenominational prayer, in my judgment, cannot be reasonably described as the establishment of a religion.

Indeed, I believe that the Court's decision goes much further in interfering with the free exercise of religion, which is guaranteed by the first amendment, than the New York authorities went toward establishing a religion, which is prohibited by the first amendment.

The Constitution requires absolute neutrality among religious faiths but it does not require Government to adopt a sterile or indifferent attitude toward all religion. There is nothing in the Constitution, in my judgment, which requires us to deny to schoolchildren an opportunity to participate in a sim-

ple prayer to the Almighty at the beginning of the schoolday. It would be offensive to make such a practice mandatory. It is no less offensive to prohibit by law the inspirational and beneficial value of such a prayer to the young people attending the public schools of America.

Our Constitution has never been held to prohibit tax deductions for contributions Americans make every day to support their churches and temples. Our Constitution has never been held to prohibit the employment of chaplains by the armed services to minister to the spiritual needs of our young soldiers, sailors, and marines, or by the Congress to minister to the spiritual needs of its Members. Our Constitution has never been held to prohibit the donation to religious schools of subsidized food surpluses. Our Constitution has never been held to prohibit the opening of Senate sessions or House sessions with prayer. Invocations have preceded every Presidential inauguration without prior objection from the Supreme Court. These examples can be multiplied endlessly. Religion is part of the fabric of American life—both private and public. The separation of church and state has never been held to require rejection of religion by the state.

For all these reasons, I disagree with the Supreme Court's decision and regret that the views expressed by Justice Stewart in dissent did not prevail.

Having said this, I must also express my concern about some of the reaction to the Supreme Court's decision.

It should not be used as an excuse for another massive assault upon the institution of the Court. Right or wrong, the Supreme Court is a vital part of our Republic, and it does not serve any point of view in this controversy to heap abuse upon its members or to undermine its status. The Supreme Court decision is the law of the land and it will be obeyed by the authorities in New York unless and until it is overturned.

It can be overturned, or modified, in two ways—by a subsequent Court decision, or by a constitutional amendment. There are already suggestions and my reading of the decisions would lead me to feel the suggestions have merit—that the early reports of the scope of the decision were inaccurate and that a key factor in the Court's ruling and perhaps the predominant factor, was the fact that the prayer in use in the New York schools was composed by the State. The fact is that it was composed by the State to assure its interdenominational character and not to extend the scope of State intrusion into religion. Nevertheless, the Court's emphasis on this factor may mean that voluntary, nonsectarian religious exercises in the public schools may still be permissible if the ritual is not prescribed by the State authorities.

Adoption of a constitutional amendment is the other way of overturning the Court's decision.

Several such amendments have already been proposed, including the one offered this morning by our distinguished colleague from Maryland. As a member of the Senate Subcommittee on Constitutional Amendments, I have urged that immediate hearings be held on these proposals. It is important that these measures be given the most careful study. Hasty action can be self-defeating. We are in a delicate area whenever we consider amendments to the Constitution and particularly when a provision of the Bill of Rights is involved. Nevertheless, I am personally sympathetic to the need for a constitutional amendment and believe that if we proceed in a constructive and moderate spirit, we can devise language which will meet the necessities of the case without impairing any of the principles of the first amendment.

REQUEST FOR NEW REPORTS ON S. 792, TO ALLOW A DEDUCTION FOR TUITION AND FEES

Mr. KEATING. Mr. President, last week on "Meet the Press" Secretary of Health, Education, and Welfare Ribicoff discussed the question of Federal aid to private schools. Although Secretary Ribicoff maintained his stand of last year, that Federal grants to elementary and secondary parochial schools are unconstitutional, he did suggest that tax credits or deductions would be a useful and constitutional way to help the parents of children in private schools.

These views came as some surprise to me, since last year I introduced an amendment to provide for a tax deduction for tuition and fees paid to any educational institution, up to $300 a year. The reports which the administration made on my amendment were entirely derogatory, contrasting tax deductions very unfavorably with the already announced administration program. Both the Treasury Department and the Bureau of the Budget opposed tax deductions for parents of those in private schools or institutions of higher learning.

The Treasury Report was particularly disappointing to me at the time because it referred almost exclusively to education at the college or university level, even though my bill was expressly drafted to cover educational and tuition fees, up to $300 a year, at the elementary and secondary level, as well as college or graduate levels. I called for a deduction, rather than a credit, because tax credits are now severely limited, and the chances of success for an amendment along those lines seems to me substantially less than for a tax deduction.

In view of the Secretary's statement and the importance of measures which would provide adequate recognition of educational expenses within our tax framework, I am asking the Treasury Department and the Bureau of the Budget to reconsider the original somewhat cursory reports upon my bill, S. 792, and submit a new report. I am also asking the Department of HEW for a report on my bill, since issues of educational as well as tax policy are clearly involved. I am hopeful that the Secretary's statement will inaugurate new interest in this approach, which I pioneered in February 1961, and a more favorable reaction from the administration.

Secretary Ribicoff indicated also, during "Meet the Press," that he fully supported President Kennedy's program and that he would run on it. In this respect the administration has not agreed with Secretary Ribicoff's views, but I would hope that the Secretary could bring his influence to bear to alter the inflexible stand which the administration has taken with regard to tax deductions, or credits, for educational expenses.

Mr. President, in order to make the record clear, I ask unanimous consent to include in the RECORD relevant excerpts from Secretary Ribicoff's remarks on "Meet the Press" and the adverse reports on my bill from the Treasury Department and the Bureau of the Budget, together with the text of my bill, S. 792.

There being no objection, the excerpts, reports, and bill were ordered to be printed in the RECORD, as follows:

SECRETARY RIBICOFF DISCUSSES FEDERAL AID TO PRIVATE SCHOOLS

Mr. BELL. Well, we know how you stand on medicare. How do you stand on this issue of aid to education as far as aid to parochial schools is concerned? Now at least five educational organizations already are protesting against including direct grants to such schools in the higher education bill which is now in conference committee. What is your view of direct Federal grants to parochial schools?

Secretary RIBICOFF. I would say this, Mr. Bell, I think those organizations are wrong. There is nothing unconstitutional in grants to higher education. To me it seems that the time has come to eliminate the bitterness that has developed in this fight on all educational programs. If we do not eliminate this bitterness we will never have an educational program in America and I do believe that education is vital for the future of our Nation; education is power.

Mr. BELL. Well, do you agree with the President, and I think he has stated this rather decisively, that it is unconstitutional to give aid to secondary parochial schools, direct grants to them?

Secretary RIBICOFF. Well, I would say that across-the-board grants the President has said is unconstitutional.

Mr. BELL. He has said, I believe, that you just pointed out that higher education comes in different category and of course these are hedged in, these grants. I am trying to get at the fundamental belief that you have of whether it is constitutional to provide for the education of children in secondary parochial schools.

Secretary RIBICOFF. Let me say this. I think there are things that can be done that are constitutional. And I would mention them to you. Higher education I think is constitutional. Special purpose grants and loans for the purpose of science, education of science, math, and foreign languages is constitutional. In my opinion auxiliary services that go to the child such as health services, school lunches, bus transportation, school books are constitutional. And there is another method that can be used that has not been talked about too much that I think is constitutional, and that is the use of tax credits and tax deductions. I would advocate this method to be used as an alternative to give to all the children and their parents an equal opportunity and an opportunity for children going to private schools. There are some 6½ million youngsters going to elementary and secondary private schools. They are not all Catholic, Mr. Bell. Out of the 6½ million, 1,200,000 of these go to non-

cise of religion simply by discouraging recognition of a Supreme Being, through prayer, in the school classroom. Children may continue to recite the multiplication table. They may recite the opening sentences of Plato's "Republic," or the lines of Milton's "Paradise Lost." They may recite Ingersoll's oration at his brother's grave, or they may speak eloquently the sayings of Voltaire or repeat the words of Clarence Darrow. They may kneel at the feet of the great painters, the artists, the musicians of the ages. They may extoll the virtues of Napoleon, Tamerlane, or Genghis Khan. They may even call the Lord's name in vain. But now they dare not recognize, through simple and humble prayer, the Giver of all knowledge, He who created man in His own image and who breathed into his nostrils the breath of life. It seems to me that such a ruling inhibits the free exercise of religion. Anything that discourages or prohibits a simply worded prayer constitutes a deterrent to the free exercise of religion. I take the position that a prayer can be easily devised which would offend no religious denomination or sect, but which would simply recognize the existence and the supremacy of a Divine Being.

I take the further position that any child whose parents object should be permitted to leave the classroom and to abstain from participating in the rendering of the prayer.

To permit a majority of students in a classroom to recognize through daily prayer the presence of a Supreme Being—let that Supreme Being be Allah, let it be Jehovah, let it be God—cannot rightly be termed in contravention of the first amendment, in my judgment.

Mr. President, we have in America millions of little pieces of human clay. The earliest thoughts that are inculcated into minds of these little ones are the lasting thoughts which go with them through life.

I took a piece of plastic clay
And idly fashioned it one day
And as my fingers pressed it still
It moved and yielded to my will.

I came again when days were past.
The bit of clay was hard at last.
The form I gave it, it still bore,
And I could change that form no more.

I took a piece of living clay
And gently formed it day by day,
And molded with my power and art
A young child's soft and yielding heart.

I came again when years were gone,
He was a man I looked upon.
He still that early impress wore,
And I could change him nevermore.

I maintain that if we hope to preserve this Republic the leaders of tomorrow—whether they be miners, farmers, teachers, or lawyers—must be men and women who believe in God. Whatever their denomination, whatever their particular faith is of little moment so far as I am concerned. But, it is vital that our future citizens believe that there is a higher power than the Supreme Court of the United States, that there is a higher power than the United States or the United Nations, and that that higher power governs the destinies of men and nations. However, "as the twig is bent, the tree is inclined." Unless the boys and girls of our day are taught to reverence God, they are not likely to revere Him in the days to come.

The Supreme Court has sown the wind. The reaping of the whirlwind will follow as night follows day.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. BYRD of West Virginia. I yield.

Mr. SPARKMAN. I commend the Senator from West Virginia for the very fine statement he has made. I must confess that I was greatly disappointed, in the Supreme Court decision. I felt it was a tragic mistake. I find myself puzzled in attempting to foretell some of the things that may result from it. I heard the Senator from West Virginia referring to the use of the name of the Deity in one of our national songs, "America."

In the courts of every State of the country, a person who wishes to testify must take an oath. The courts have held time after time that the reason for requiring that oath is to make certain that the person taking the oath believes in the existence of a Supreme Being and a system of rewards and punishments after death.

I am of the definite opinion—I cannot point to the case, but I believe it has been held by the Supreme Court—that a person either had to take that oath or, if he objected to it for some conscientious reason, had to make an affirmation.

Does that mean that hereafter it is going to be illegal for States to require witnesses, in order that they may be believed by jurors, to take that oath, and that the administration of the oath itself will be an illegal act and perhaps prejudice someone's case, when it goes to the Supreme Court for final decision?

Mr. BYRD of West Virginia. The distinguished Senator from Alabama has propounded a most pertinent question. It would be impossible to comprehend the ramifications that can flow forth from this ignoble decision. It is certainly the opening wedge from which other decisions may follow. I think it definitely establishes a precedent which precipitate and encourage more litigation and more of such rulings upon related questions.

Mr. SPARKMAN. A few years ago, when the distinguished Senator from West Virginia was a Member of the House of Representatives, Congress by action of both Houses passed a resolution amending the Pledge of Allegiance adding to the words "One Nation" the words "under God." Did we violate the Constitution in doing that? Is someone someday going to object to it and go to the Supreme Court, and is the Supreme Court going to hold that Congress had no right to make such a declaration?

Mr. BYRD of West Virginia. There is no question that the Supreme Court has opened a Pandora's box. I was a Member of the House of Representatives at the time when a distinguished Representative from the State of Michigan, the late Louis Rabaut, led the effort to have the words "under God" written into the Pledge of Allegiance.

Of course, if it is unconstitutional to conduct the daily recitation of prayers in the classroom, I foresee that, should such a case come before it, the Supreme Court could possibly render a decision holding the inclusion of the words "under God," in the Pledge of Allegiance, to be likewise violative of the Constitution.

Mr. SPARKMAN. By the way, the Senate properly opens the day with prayer by the Chaplain. We have a Chaplain, who is on the payroll of the Senate, and who is paid with taxpayers' money. Are we violating the Constitution by having that done, and, because we open the Senate with prayer, may we some day be faced with a decision that an act we passed on a particular day will be declared unconstitutional?

Mr. BYRD of West Virginia. This particular decision does not, naturally, go that far. But as long as the decision stands, it points the way to future incursions that may lead us anywhere. Actually the decision should be carefully clarified immediately so that school officials throughout the States will know precisely what the decision truly requires of them and as to what its limitations are.

Mr. SPARKMAN. Does it not boil down to this, that the Supreme Court decision simply cannot be allowed to stand in a government whose very foundations are based upon the existence and the guidance of an allwise Supreme Being?

Mr. BYRD of West Virginia. The Senator has stated it well.

We send our children to school. We expect them to learn about the immutable laws of nature which existed long before Aristotle and Isaac Newton and others discovered those laws. They learn that scientists can predict an eclipse 100 years away, precisely to the moment at which that eclipse will take place. They are taught that the universe is controlled and operated by precise and unchanging laws. Yet, they have now been told by the Supreme Court that they cannot recognize, through prayer in the schoolroom, the omnipotent God who created the universe and established its laws from the beginning.

Mr. McCARTHY. Mr. President, I commend the Senator from West Virgina for his fine exposition of the religious basis of American beliefs and American practice within the American Government, because I am one who believes that the effective operation of a democracy depends upon a religious inspiration and some acceptance of religious responsibility and religious obligation. I share the views of the Senator from West Virginia, the Senator from Alabama [Mr. SPARKMAN], and other Senators who have commented on some of the questions which are raised by the Supreme Court's decision.

I observe that we sit here every minute of the day under an inscription over the main door to the Chamber which reads: "In God we trust."

I assume that if this expression were challenged the Court might issue an order directing the Senate to have that inscription changed. Would the Senator from West Virginia say that it should be changed to read: "We trust in the Supreme Court."

I assume that that would be the highest court of appeal, would it not?

Mr. BYRD of West Virginia. The Supreme Court might hold that it would be unconstitutional to use the taxpayers' money to have the present inscription removed, referring, as it does, to the Deity. I think the Senator from Minnesota and I, and perhaps some of the page boys, instead, might have to come here in our spare time—if we have any—and remove the inscription at no cost to the Government.

Mr. McCARTHY. It might be said in behalf of the Court that this is perhaps the one instance in which the Court had the best ground on which to act. The Court made a number of preliminary decisions in this general area, in other cases, relating primarily to the question of what was said to be aid to religion through aid to education. Many persons who applauded those decisions now suddenly seem to be horrified at what must have been the final action in a course of conduct which the Court has established.

I hope that since we have now seen the full import of those decisions in this latest expression by the Court, we may understand that ours could be not only a secularized government but a secularized society; and that having seen the outcome of this trend which has been developing, we may begin to take another look at some of the legislation and some of the Court decisions over the last 15 or 20 years.

If this does take place, then this decision of the Supreme Court, which in a sense reemphasizes and reveals the full potentialities of the interpretation, which says that America—at least, public America—must be completely secular, may have served a very good purpose. I hope that good may come of it.

Mr. BYRD of West Virginia. I thank the distinguished Senator from Minnesota.

I am encouraged to note that although not one Member of this great body is a member of the clergy, there seems to be a unanimity of opinion that the Supreme Court has committed serious error, an error which must be corrected.

Mr. CANNON. Mr. President, will the Senator from West Virginia yield?

Mr. BYRD of West Virginia. I yield.

Mr. CANNON. Do I correctly understand from the decision by the Supreme Court that we now have a problem in connection with the training of our military personnel? For example, our Nation is engaged in a bitter combat with communism. We maintain a Military Academy at West Point, a Naval Academy at Annapolis, an Air Force Academy near Colorado Springs, and a Coast Guard Academy at New London. At these schools, the Government regulates the curriculum to a degree, in that Congress has established boards of visitors who exercise the right of approval over the programs which are conducted at those academies.

As a part of the program of educating our future military leaders at these fine academies, a certain amount of money is expended to enable religious worship, not in any particular religion, but in whatever religion the student may profess. We insist that these young men, as a part of their educational program, include as a part of their training, time devoted to the worship of God according to their own religious belief.

Would it be the Senator's interpretation of the latest Supreme Court decision that the curriculum at the various academies would have to be revised? Does the Senator envision that this decision would require the ommission of time devoted to religious activities and to the conduct of prayer?

Mr. BYRD of West Virginia. I cannot answer the Senator's question. I cannot express an opinion. I do not believe that this decision in itself would require such action; but it could ultimately lead to that and to many other similar results.

Mr. CANNON. Would not that be defeating our own purposes? We are fighting an atheistic form of government. In turn, we are trying to hold out to the peoples of the world that one of the advantages of our form of Government is our belief in a Supreme Being; that we believe in God; that we do not believe that the State is all-powerful. Yet as I interpret what has been said by the Senator from West Virginia and what has been written in the press, it seems to me that we may now be precluded from carrying out this form of approach in teaching and training our future leaders, in order that they may be leaders in the fight which our Nation is undertaking against communism.

Mr. BYRD of West Virginia. The Senator from West Virginia did not say precisely that; but the distinguished Senator from Nevada has correctly interpreted my thoughts and my fears on the subject.

Mr. President, I yield the floor.

AMENDMENT AND EXTENSION OF SUGAR ACT OF 1948

The Senate resumed the consideration of the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Mr. KERR. Madam President, I address myself to Calendar No. 1591, H.R. 12154, an act to amend and extend the provisions of the Sugar Act of 1948, as amended. I ask unanimous consent, in order that certain Senators who are vitally interested in the measure may know that the bill is now being discussed, that there be a quorum call without the Senator from Oklahoma losing his right to the floor.

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). Without objection, it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KERR. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KERR. Madam President, I shall take a few minutes to explain the highlights of the sugar bill before the Senate, H.R. 12154; but before doing so, I wish to explain a new action by the Finance Committee, and to offer an amendment to the bill as it was reported. I am authorized and directed by the committee to offer such an amendment.

When the committee met in executive session on this bill, it found itself under great pressure; there was too little time for full discussion of every phase of the act. This is a pattern which we have been compelled to follow for some years, since the bill seems never to reach us until the expiration deadline is fully upon us.

In our meeting, the committee voted to greatly reduce the production payments to domestic producers—that is to say, the growers in the United States. This is provided in section 14 of the bill before the Senate.

This morning, on the request of the distinguished Senator from Louisiana [Mr. LONG] and the distinguished Senator from Florida [Mr. SMATHERS]—both of whom had been compelled, by other official duties, to be absent during the previous deliberations on the bill—the committee reconsidered the action it had taken in reducing production payments to the domestic producers. In their presentations those Senators called attention to the fact that our new State of Hawaii would be adversely affected by the previous action of the committee, as would their States of Louisiana and Florida and other States producing cane sugar.

Following the presentations by the Senator from Louisiana [Mr. LONG] and the Senator from Florida [Mr. SMATHERS], further deliberation on the matter was had by the committee; and after the consideration of all the new material available to the members of the committee, it was disclosed that the previous committee action would cause substantial injury not only to very large segments of some of our fine States, but also to our domestic economy. When the extent of this loss and its potentially serious effects on the entire Nation and on considerable areas of the several States were made clear, it was decided, by vote of the committee, that the amendment which I am now about to submit would be offered as a committee amendment, and, we hope, will be adopted.

Under this amendment, which I now submit and send to the desk, production payments to the producers will continue at the same level as under present law, at the same level as provided in the House version of the bill, at the same level as provided in Senate bill 3290, jointly sponsored by 36 Members of the Senate.

I shall ask for the consideration of that amendment after I have completed a statement on the bill.

The PRESIDING OFFICER. The amendment offered by the Senator from Oklahoma will be stated.

The LEGISLATIVE CLERK. It is proposed on page 48, beginning with line 21, to strike out all through the matter following line 3 on page 49—section 14 of the bill.

Renumber sections 15 through 20 as sections 14 through 19, respectively.

On page 50, line 15, beginning with "The", strike out all through line 17.

Mr. KERR. Madam President, the sugar bill before the Senate, I am happy to relate, is one on which for the first time in some years the Finance Committee actually had time to have a hearing and to give substantial consideration to the intricate details included in the bill and involved in it.

The Finance Committee held 3 full days of hearings, and those hearings are printed and are on the desk of each Senator—over 500 pages of hearings and statements. The committee in executive session considered carefully the benefits the Nation and our people have received through the years from the sugar act and analyzed some of its weaknesses. We discovered that since 1947 the price of sugar to the American housewife had increased approximately 3 percent—far, far less than the general commodity average, and that sugar today is just about the least expensive item in the family budget.

It was shown that the Sugar Act has consistently put much more into the U.S. Treasury than it had taken out, quite a contrary situation from that outlined by those who would plaster the stigma of subsidization and favoritism on the sugar growers of our country.

The committee has reported out a good bill. It is quite similar to S. 3290. In fact, the committee voted to take the House bill, strike all after the enacting clause, and insert the language of S. 3290, the bill introduced in the Senate by the great Chairman of the Agriculture Committee, the Senator from Louisiana [Mr. ELLENDER] and a strictly bipartisan group of 35 other Senators.

Now, in spite of the attention given to the drafting of that bill and the long list of its esteemed sponsors, we found that two or three changes or additions were desired by the majority of the members of the committee, and I shall outline those amendments to the Senate shortly.

First let me give a quick outline of the Senate bill as reported, then I will discuss briefly the reason for the amendments.

The bill, as reported, would extend the Sugar Act for 5 years to June 30, 1967.

It would spell out in some added detail the criteria for the administration of the act by the Secretary of Agriculture. In determining the sugar requirements for each year, the Secretary would need to consider the relationship which would result between the price for raw sugar and the parity index.

The reported bill would increase substantially the participation by domestic producers in supplying the growing U.S. market. Current levels indicate an annual consumption rate of about 9.7 million tons, with an annual increase of consumption estimated at 160,000 tons. The committee bill would assign to domestic producing areas 65 percent of this annual increase. In the House bill, and in the Senate bill as introduced, this figure was 63 percent. Under present law the domestic share in the growth in consumption is 55 percent. Under the committee bill, 104,000 tons, 65 percent of the growth factor, would be prorated to mainland beet and mainland cane producing areas.

The basic quotas assigned to domestic areas would be increased by 623,500 tons—2,650,000 tons to domestic beet sugar producers, 895,000 tons to producers of mainland cane sugar, 1,110,000 tons to Hawaii, 1,140,000 tons to Puerto Rico, and 15,000 tons to the Virgin Islands, a total of 5,810,000 tons of sugar.

Foreign allocations would grant a quota of 952,000 tons to the Philippines, 10,000 tons would be reserved by the Secretary for allocations under his discretion, 1,416 tons for a few countries with very, very small quotas, and the balance, a little under 3 million tons, to be divided as follows: 88.85 percent reserved and identified as the Cuban quota, but not available to Cuba under present conditions, nor to be supplied by Cuba so long as present conditions there prevail; 3.73 percent to Peru; 3.31 percent to the Dominican Republic; 2.75 percent to Mexico; and smaller amounts, less than 1 percent each, to Haiti, Nicaragua, the Netherlands, China, Panama, and Costa Rica.

A deficit in the quota for any domestic area or foreign country would be prorated, in accordance with their basic quotas to other quota countries. If the quota countries cannot fill such deficit, the Secretary may assign such temporary prorations to nonquota countries. Keep in mind that the Cuban quota would not be in this category; it would be open to all countries, subject to the payment of a fee at so much per pound.

The bill provides that 65,000 tons of sugar quota be assigned annually to new domestic producing areas. The acreage required to yield 65,000 tons of sugar would be assigned on a fair and reasonable basis without regard to any previous production history. It has been ascertained that it requires a potential of about 50,000 tons of sugar, or about 20,000 acres, to effectively provide for a new mill. The bill provides for a new mill each year and carries over enough reserve so that an extra new mill can be established about every 3 years.

The bill provides that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation unless the Secretary finds that such importation does not interfere with the operation of the Sugar Act. The Secretary may also apply quotas to the sugar content of any imports with a recent history, if he finds abuses which need correcting.

The bill limits the importation of direct-consumption sugar, normally that which is refined or semirefined. These limitations are spelled out in section 7 of the bill, an analysis of which is found on page 4 of the report.

The bill would require the payment of a fee as a condition for the importation of any sugar acquired in replacement of the Cuban quota, as mentioned above, and it would also provide that a fee be paid as a condition for the importation of sugar within the quota for foreign countries, other than the Philippines, at the rate of 20 percent of the full fee in 1962; 40 percent in 1963; 60 percent in 1964; 80 percent in 1965, and 100 percent thereafter.

Now I want to separately identify the amendments to the Senate bill that were made in the committee. I have reviewed briefly the high points of the bill as reported, but I shall now state the differences between that bill and the bill introduced by my colleague from Louisiana [Mr. ELLENDER] and his cosponsors.

First. The new-producer sugarbeet area allocation of 50,000 tons was raised to 65,000 tons with the provision that the annual accumulation above that necessary to create one new mill be held in reserve and not allocated until sufficient quota has accumulated for an extra new mill. The increase in annual domestic consumption requirements to be assigned to domestic areas was 63 percent in the House bill. The committee bill, as reported, would raise this to 65 percent.

Second. Ten thousand tons of foreign quota direct consumption sugar would be placed in reserve to be allocated at the discretion of the Secretary of Agriculture. This reservation was not in the Senate bill. I should make it clear that this reserve quota would be effected by the gradual application of import fees the same as all other imported sugar.

Third. The bill as reported defined the term "alcohol" in the basic act to include all polyhydric alcohols. The present law exempts all sugar used in the production of alcohol from quota requirements. When the act was adopted in this form, the term "alcohol" was generally applied to ethyl alcohol. Since that time alcohols with extra hydrogen-oxygen units have been developed; and in order to clarify this term, these polyhydric alcohols are included under the term "alcohol," and sugar imported for their production would not be required to come in under the quotas.

Madam President, I believe the committee has reported a good bill. I would hope that we would not need to amend it further. I recommend that, after the adoption of the committee amendment which I have sent to the desk, the bill be approved by the Senate.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 11879) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, and for other purposes.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 8291) to enable the United States to participate in the assistance rendered to certain migrants and refugees.

EXTENSION OF CORPORATE NORMAL TAX RATE—CONFERENCE REPORT

Mr. KERR. Madam President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 11879) to provide a 1-year extension of the existing corporate normal tax rate and of certain excise tax rates, and for other purposes. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of June 26, 1962, p. 10898, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

AMENDMENT AND EXTENSION OF SUGAR ACT OF 1948

The Senate resumed the consideration of the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Several Senators addressed the Chair.

Mr. KERR. Madam President, I yield first to the Senator from Louisiana.

Mr. ELLENDER. Madam President, I wish to compliment my good friend, the Senator from Oklahoma for the succinct and explicit manner in which he has presented the bill to the Senate. I am very happy to note that the amendment he proposes, which came from the committee almost unanimously, strikes from the bill section 14 which changes the rate of payment from the present law.

There is one question I should like to ask my good friend, however. As the Senator knows, a new sugar mill for the production of beet sugar would require, for construction, from 15 to perhaps 18 months. The additional sugar which is to be allocated, as I understand, will remain in flux and will not be distributed to anyone? It will be set aside for the purpose of allocation after the mill is constructed.

Mr. KERR. That is the provision and the intent of the bill.

Mr. ELLENDER. It will not be allocated to any farmers until the new mill is constructed. The amount of sugar which would be necessary in the meantime, would be obtained, I presume, from other areas?

Mr. KERR. It would have to be obtained from other areas.

Mr. ELLENDER. Madam President, let me again say how pleased I am with the bill, and the accompanying amendment, which the Senator from Oklahoma has just presented. I am pleased to note that the percentage of yearly market increase reserved for our domestic producers has been increased from 63 to 65. In the past I have felt that too much of the market increase, due to increased population, went to the foreign producers at the expense of our producers. So I am particularly glad to see this bill giving our home producers a full 10-percent increase over the old law.

Several Senators addressed the Chair.

Mr. KERR. I had agreed to yield to the Senator from Idaho [Mr. CHURCH]. Then I will yield to the Senator from North Dakota [Mr. YOUNG] and to the Senator from Florida [Mr. HOLLAND].

Mr. CHURCH. Madam President, first I wish to commend the distinguished Senator from Oklahoma for a very lucid and detailed explanation of the bill, and I wish to say that he and the committee have done an outstanding piece of work on this proposed legislation.

I take it, from the Senator's discussion of the provisions of the bill as amended by the committee, that the bill now contains provisions even more favorable toward our domestic sugar producers than the bill as passed by the other body.

Mr. KERR. The provisions are more favorable than either the bill passed by the House or the bill introduced by 36 Senators.

Mr. CHURCH. This is a matter of great importance to my State, as the Senator knows, and it is one of the reasons why I am so pleased with the work the committee has done.

Is my understanding correct that not only a more favorable quota but also a higher percentage in the growth factor is to be provided domestic producers, so that in future years they will share more favorably in market growth than they have in the past?

Mr. KERR. The Senator is correct. Under the present law the domestic producers have the privilege of supplying 55 percent of increased requirements. Under the House bill and the bill as introduced by the 36 Senators, the domestic producers would be permitted to provide 63 percent of the increased requirements. Under the committee bill, the domestic producers would be permitted to provide 65 percent of the increase requirements.

Mr. CHURCH. In addition to the increase in the percentage, is it not true that this amended bill provides for an accumulation from year to year of unused portions of allowable growth, which was not originally contemplated by the bill as first introduced or by the bill as passed by the House?

Mr. KERR. The Senator is correct.

Mr. CHURCH. In all these respects it seems to me that the committee is to be highly commended. I join with the Senator from Oklahoma in expressing the hope that the Senate will approve the committee recommendation.

Mr. KERR. I thank the Senator from Idaho.

I yield now to the Senator from North Dakota [Mr. YOUNG].

Mr. YOUNG of North Dakota. I commend not only the Senator from Oklahoma but also the Committee on Finance for writing a very good sugar bill, especially considering the difficult circumstances under which it was necessary to write the proposed legislation. I think this can be a long step forward with respect to a better sugar program.

I was most pleased with the additional allocation to domestic producers. I had hoped there would be an even greater allocation, but under all the circumstances I think the committee did very well.

I was a little concerned about one paragraph in the report, on page 6, in regard to the establishment of any new sugar refinery. The language reads as follows:

> The bill does not undertake to define a new area. The Secretary, with all the facts of the immediate time of the consideration before him, will make such a decision. It may be assumed that the Secretary will formulate a workable definition. It would appear that a new area should not be compelled to show that no sugarbeets at all are now being raised, as there may be qualified areas where a few farmers have had some small sugarbeet history with beet shipments being made over great distances to be processed with the grower absorbing part of the freight charges.

I am concerned about the following sentence:

> On the other hand, an area in which sugarbeet raising is and has been an important and significant part of agriculture might not qualify as a new area.

I shall state an example. For years the farmers of the Red River Valley in North Dakota have been raising a sizable amount of sugarbeets. They have shipped their sugarbeets across the line to sugarbeet refineries in Minnesota, and at times to refineries as far away as Iowa. Would this language preclude the establishment of a new refinery in the Red River Valley or elsewhere in North Dakota, where sugarbeets can be efficiently grown?

Mr. KERR. It would not. The situation mentioned by the Senator would be taken care of by the operation of the existing law, and the bill would in no way affect them. The Committee on Finance has no desire or intention to jeopardize potential growers in areas where new mills are now under construction. The committee language was not intended in any way to alter or to restrict the development of the area about which the Senator is concerned. In fact, it was one of the areas specifically before the committee in its consideration of a provision for a sufficient reserve quota, the use of it annually; an accumulation to take care of one new mill a year; and, over and above that, an additional mill each 3 years.

Mr. YOUNG of North Dakota. That is one of the areas now being considered by the Department of Agriculture.

Mr. KERR. The Red River area of North Dakota, I believe Minnesota, and a number of other areas were involved. The area to which the Senator referred was one of those the committee had in mind.

Mr. YOUNG of North Dakota. I thank the Senator very much.

Mr. HOLLAND. Madam President, will the Senator yield?

Mr. KERR. I yield.

Mr. HOLLAND. I thank the Senator for yielding. First, I express my own very great appreciation for the careful and extremely fair handling which the committee has given to this bill. I particularly express my appreciation and that of my State for the action of the committee earlier today in moving as a committee amendment to strike out section 14 of the bill as reported yesterday or the day before. As the Senator knows, that section would have had a peculiarly heavy impact on the State of Florida by reason of the very heavy additional plantings made in our State since the Cuban emergency began some years ago. I express my appreciation to the Senator and his committee. I think that in allowing as much new production to the domestic mainland producers, a real blow has been struck not only for the domestic sugar industry but also for the improvement of agricultural conditions in many parts of our Nation, including particularly the beet sugar producing areas of the Nation. I wanted to express my warm appreciation in the RECORD to the distinguished Senator.

Mr. KERR. I thank the Senator from Florida. His distinguished colleague in the Senate was one of those who took the lead in bringing about the action.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. KERR. I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. I congratulate the Senator and thank him for the fine work he has done and is doing in bringing about the enactment of a workable sugar act under which the farmers of America can prosper. I particularly wish to thank the Senator for his leadership in the committee in bringing about the necessary adjustment to continue the conditional payments to the producers, particularly producers of sugarcane.

The latest information we have available from a study in Louisiana is that the large-scale sugarcane farmers, before interest and taxes, made a return of 5.7 percent for the 1954–58 period, and only 2.2 percent in 1959. As the Senator knows, the tax on any producers that have been incorporated exceeds 50 percent. So there is a very low rate of return. It did not appear to those of us from Louisiana that such producers could stand substantial reduction in income, based upon the fact that their income is too low already. The Senator from Oklahoma helped us to meet the problem; and as one from Louisiana, I am grateful to the Senator for his fairness. I would join him at any time in working for any adjustment in the act which may be necessary in order to be fair to all producers, whether they be beet or cane sugar producers.

Mr. KERR. I thank the distinguished junior Senator from Louisiana. His effort and that of the Senator from Florida [Mr. SMATHERS] were quite effective in bringing about the reconsideration of the question by the committee and in developing the information before the committee which resulted in the committee action.

Mr. KUCHEL. Madam President, will the Senator yield?

Mr. KERR. I yield to the Senator from California for a question.

Mr. KUCHEL. The last sentence of the next to the last paragraph on page 6 of the report is as follows:

> On the other hand, an area in which sugarbeet raising is and has been an important and significant part of agriculture might not qualify as a new area.

I should like to ask the Senator what is meant by that language. I have in mind a situation in California, the State from which I come. In the San Joaquin Valley the Spreckels Sugar Co. is now constructing a new beet sugar processing plant, which I am informed will be ready to accept beets from growers in that area early in the summer of 1963. I am informed that the growers in that area, as well as officials of the Spreckels Sugar Co., have understood that up until now the plant would qualify as a new plant in a new area, and that the growers who might contract with that plant would also qualify under that section of the law. However, there seems to be some doubt as to whether that is true. I would appreciate the Senator's comment on that question.

As he understands, one of those plants represents an investment of $15 to $20 million. Those involved in such a substantial undertaking have reflcted honest apprehension.

Mr. KERR. I say to my good friend from California, with some hesitancy, but in all sincerity, that my ears have never been ravished by the dulcet sound of the name of the company that he had in mind.

Mr. KUCHEL. Is that so?

Mr. KERR. But I know of the area in which it is operating. The committee was aware of the fact that a mill is being built. The language in the bill to which the Senator referred would not affect it in any way. Recognition and provision for it are contained in existing law; and the committee language was not intended in any way to alter or restrict the development of the area about which the Senator is concerned.

Mr. KUCHEL. First, I thank the distinguished Senator from Oklahoma for his clear and lucid explanation. Second, I am sure the dulcet tones which my friend has just employed will break on the enthusiastic ears of those in my State who have an interest in this particular problem.

Mr. KERR. I thank the Senator from California.

Mr. YARBOROUGH. Madam President, will the Senator yield?

Mr. KERR. I yield.

Mr. YARBOROUGH. I congratulate the senior Senator from Oklahoma for his very clear and concise statement of the meaning of the bill. I rise only to ask a question because of the long-thwarted hopes of the people in the high plains area of Texas around Dalhart.

Mr. KERR. Near the panhandle area of Texas and Oklahoma.

Mr. YARBOROUGH. Yes, the Texas and New Mexico border in the panhandle area.

There are a few growers who have shipped sugarbeets to a Colorado mill. These produce about twice as much money per acre as grain sorghums and other crops that can be grown there. Under the amount of acreage that could be allocated, or that they were able to plant, they are limited to about 3 square miles, out of a total of 265,000 square miles in the State. These people have been pleading for years for some acreage. Is it possible under the pending bill for these people along the Texas-New Mexico border to obtain acreage and a mill under this provision?

Mr. KERR. It was the expectation of the Senator from Oklahoma that one of the areas for the construction of a new mill under the bill would be the area of the Texas Panhandle, eastern New Mexico, the Oklahoma Panhandle, and some of the western counties of Oklahoma. In fact, on page 6 of the committee report, in the next to the last paragraph, this sentence appears:

> It would appear that a new area should not be compelled to show that no sugarbeets at all are now being raised, as there may be qualified areas where a few farmers have had some small sugarbeet history with beet shipments being made over great distances to be processed with the grower absorbing part of the freight charges.

We thought that language exactly described the area referred to by the Senator from Texas.

Mr. YARBOROUGH. I congratulate the distinguished Senator from Oklahoma for his skill in draftsmanship. I believe the two panhandles and the eastern part of New Mexico do come under the bill.

I ask unanimous consent to have printed in the RECORD at this point the next to the last paragraph on page 6 of the report, from which the Senator has read a sentence; also subparagraph (3), beginning on line 3 of page 45, and running through line 7 on page 47 of the bill.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

> The growth and expansion of the beet sugar industry is also possible through increases in the capacities of existing plants. The bill expands the share of the market growth allocated to domestic producers of beets and cane to 65 percent. The growth factor is such that approximately 160,000 tons of sugar are consumed each year over and above that consumed in the prior year. Thus, 65 percent reserved for new production in the United States would provide for 104,000 tons more for domestic production, cane and beet, new and old.

> (3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other

allocations until it can be so utilized. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

Mr. YARBOROUGH. I thank the distinguished Senator from Oklahoma for his careful draftsmanship.

Mr. KERR. I thank the Senator.

Mr. LONG of Hawaii. Madam President, I congratulate the people of Hawaii—rather than the gentleman from Oklahoma at this time—for having the benefit of his splendid leadership which today has been largely instrumental in helping preserve a very important industry, an industry developed over a period of a century in what is now the State of Hawaii.

I referred to congratulating the people of Hawaii, because sugar is still our principal industry. Over 14 000 of our laborers work in it regularly. They and their families live in plantation communities. The economy of the entire State depends very largely on the industry. It is a thriving industry under present conditions. The compliance payments have been in effect for something more than 27 years. If these payments were to be discontinued, or significantly reduced, it would put a number of our marginal plantations out of business. There is no question about it. Section 14 in the bill as first approved by the committee would have cost the sugar producers of Hawaii $3,500,000 a year and would have compounded their already difficult competitive situation. On the surface the revision would not appear to be drastic. In fact, in some domestic sugar producing areas there would have been virtually no reduction in payments. But in other areas, notably Hawaii, the proposed rates would have most seriously affected the sugar producers and the entire economy of the State. It would have substantially reduced the income of the 50th State. Because the sugar industry is Hawaii's most important—the very basis of our economy, elimination of section 14 becomes a vital issue.

Hawaii believes that its admission as a State 2 years ago means that it will be treated fairly and equally with all other States of the Union. The proposed revision was wholly inconsistent with the principle of fair and equal treatment.

A brief review of our domestic sugar industry structure is helpful in gaining a proper understanding of the effects of the proposed reductions in compliance payments. Sugar consumption in the continental United States in 1960 was approximately 9.35 million tons, raw value. About 23 percent was manufactured by beet sugar processors from sugarbeets grown in the Western, Mountain and Great Lakes States. Another 23 percent was refined from raw cane sugar grown in Hawaii, Florida, Louisiana, Puerto Rico, and the Virgin Islands. Hawaii accounts for more than a million tons each year—about one-ninth of our country's requirements.

The domestic sugar producing areas of the United States are widely dissimilar in their history, their geography, their climate, the fertility of their soil, the numbers and skills of their farmers—indeed, they differ from one another in most of those things that determine what is the most efficient farming unit.

Because the sugar growers of Hawaii faced very different problems from those found in most other areas, they came up with very different answers. Much of the land suitable for growing sugarcane had no water. Although Hawaii has a plentiful rainfall, much of it—at least from the point of view of the sugar grower—falls in the wrong places.

The sugar growers of Hawaii have built great irrigation systems at their own expense. Pumping stations and aqueducts have been built. Wells and tunnels have been drilled—all to carry water the many miles from where it is found to where it is needed. The irrigation systems built and paid for by the sugar growers of Hawaii without burden either to the people of Hawaii or the taxpayers of the United States, are valued at over $46 million. By contrast, in other farming areas of the United States such irrigation systems have been usually constructed as Government projects, financed and paid for by the taxpayers.

The great bulk of Hawaii's land area is mountainous and unsuitable for cultivation. At the present time about 242,000 acres are devoted to cane. With such limited land the Hawaiian sugar producers recognized the need to establish sugar production at the very highest possible level of efficiency.

In 1895 they organized the experiment station of the Hawaiian Sugar Planters' Association. The activities of the experiment station extend to all matters which affect or may affect the growing of sugarcane in Hawaii. It is continuously developing new varieties of sugarcane, seeking higher yields, greater resistance to insects and disease, and other qualities which may be important to the sugar grower. It studies insect control, cultivating techniques, fertilizers—literally all aspects of the cultivation of sugarcane. The experiment station of the Hawaiian Sugar Planters' Association has made it possible for Hawaiian cane growers to cultivate their lands with the benefit of the latest knowledge and techniques. One striking result is that Hawaiian cane acreage, acre for acre, is among the most productive in the world. The research and work done by the experiment station does not come cheap—the station has an annual budget of approximately $2.5 million entirely paid for by the Hawaiian cane growers who are its members.

Agricultural experiment stations are usually thought of as governmental agencies. They usually are—their activities paid for by the taxpayers of a State or the United States. This is not the case with the experiment station maintained by the sugar growers of Hawaii. For more than 60 years the Hawaiian cane growers have paid for the services which they need for the efficient operation of their farms.

Their search for efficiency has caused the Hawaiian sugar growers to pioneer in mechanizing agriculture. Substantially all Hawaiian cane is now planted, cultivated and harvested by ingenious and largely Hawaiian developed machines. Hand labor has practically been eliminated. But the new machines are expensive, and have required large-scale investment. Capital improvements used in the Hawaiian sugar industry have cost more than $182 million.

In addition to the physical problems of growing cane and producing sugar the sugar growers of Hawaii had other difficulties to contend with. These were principally associated with their distance from the American mainland. The closest market for their sugar, San Francisco, was 2,400 miles away. And the great center of population and the place of business of the principal sugar refiners was on the eastern seaboard, vastly more distant.

With all these problems facing them the solution for Hawaii was found to be a system of corporate farming. Of the 27 largest Hawaiian sugarcane farms, 26 are organized as corporations—one is a family partnership. These 27 companies produce 94 percent of Hawaii's sugar. The remaining 6 percent is grown by some 1,200 independent growers, largely located on the big island of

Hawaii, where natural rainfall makes irrigation unnecessary. Hawaii's sugar companies are widely held they have over 14,000 stockholders, of whom about two-thirds live in Hawaii.

Corporate organization was necessary to secure the capital required by the Hawaiian situation. Corporate organization was required to establish and maintain the Hawaiian sugar industry's experiment station. Corporate organization helped meet the financing problems created by the long period between planting and the receipt of income because Hawaiian sugarcane grows on a 2-year cycle. Corporate organization was found to be the best available answer to the transportation and marketing problems confronting the industry.

These companies were formed to solve problems that are largely unique to Hawaii. We in Hawaii are proud of their record. They provide Hawaii with its largest single source of agricultural or industrial income. They give year-round employment to some 14,000 persons, and pay them wages that are the highest agricultural wages in the world. They are efficient farming units in the best sense; they are highly productive; they make the best available use of our land; their farming techniques have maintained and improved the fertility of our land; they provide the work force with modern working conditions and a high standard of living.

It is also, true, however, that our Hawaiian sugar farms are generally larger than the farm units found in the other domestic sugar producing areas. Hawaii faced different problems and had to find different answers. The establishment of relatively large farm units in our Hawaiian sugar industry was not an end in itself, but a means for solving problems which could not be met by small scale farming.

With this background let us take a look at the taxing and compliance payment provisions of the U.S. sugar program and their impact on the domestic sugar industry. In viewing the sugar program, however, certain basic facts should be kept in mind.

First of all, sugar is not a surplus crop in the United States. The sugar which Hawaii and the other domestic areas produce is not going into storage; it is produced to fulfill immediate needs.

Secondly, the United States grows a little more than half of its sugar requirements. Our experience in the Second World War and during the Korean war should drive home to the United States how important it is that a domestic sugar industry be maintained. Any proposal which would jeopardize the successful operation of a substantial portion of domestic sugar production runs directly counter to one of the basic objectives of the Sugar Act.

Thirdly, the compliance payments provided for by the Sugar Act are paid for by a tax on the sugar industry itself—a tax which, over the years, has regularly produced more than enough income to pay for all of the costs of the sugar program.

The U.S. sugar program provides both for the making of conditional, or compliance, payments to sugarcane and sugarbeet farmers, and for an excise tax on all sugar manufactured in the United States. The tax, amounting to approximately 50 cents per hundred pounds of sugar—raw value—raises more than enough money to cover all compliance payments made under the Sugar Act and all costs of administering the program.

Even under the existing scale of compliance payments Hawaii works under a substantial hardship. The heavily scaled down rate of compliance payment now received by Hawaiian cane sugar producers already places them at a competitive disadvantage. This disadvantage was further compounded by the excise taxes paid by Hawaiian producers amounting to nearly $1 million more than compliance payments received.

If the proposed reductions were to go into effect, a large segment of the Hawaiian sugar industry would be in jeopardy. A serious crippling of its sugar industry would be an economic disaster to the 50th State. Sugar is Hawaii's largest industry.

The people of Hawaii were confident that the Senate would recognize the injustice of a proposal which adds further penalties to an already difficult situation.

We therefore thank the Senate Finance Committee and the gentleman from Oklahoma in particular for reconsidering and eliminating section 14.

Mr. KERR. I thank the Senator from Hawaii very much, not only for his kind remarks and his astute observations, but also for some information which comes as quite a surprise to me. I knew that the sugar industry is one of the principal industries in the great State of Hawaii. I did not know it was the principal industry.

Mr. LONG of Hawaii. It is the principal industry.

Mr. KERR. I had thought the principal industry of the Senator's island State was what is referred to as tourism, including not only all of the facilities in his great island home for the entertainment of tourists and the pleasant extraction from them of that which contributes to the lifeblood of the island, but also consisting of the wonderful physical environment and human glamour that is so famous not only through our own Nation but around the world.

But, Madam President, if the Senator from Hawaii says that the sugar industry—referring to the commodity—is his principal industry, far be it for me to gainsay it. It may be that my failure properly to intrepret the term caused me the surprise. It just may be that when he used the phrase "sugar industry" he was including that marvelous attribute of his island that was in the mind of the Senator from Oklahoma.

Mr. LONG of Hawaii. I wish to say that tourism is, of course, a very important factor in every way. However, we have failed dismally at one point, in that the distinguished senior Senator from Oklahoma, in spite of all the world traveling that he has done, has never found the time to visit the Aloha State. Again I extend to the Senator a cordial invitation to come down to see us.

Mr. KERR. Madam President, I thank the Senator. If the Senator from Oklahoma can ever be absolutely certain in his mind that the trip he would like to take to Hawaii would certainly include the return trip, as it would the trip over, he is prepared and will accept the kind invitation.

Mr. PELL. Madam President, I ask the remarkably able Senator from Oklahoma whether the country referred to on page 31, lines 6 and 7, of the bill, which is authorized to receive 10,000 short tons of sugar, would be the Republic of Ireland?

Mr. KERR. I am compelled to say to the Senator from Rhode Island that the language of the bill authorizes the Secretary to allocate that amount to the foreign country or foreign countries that he chooses. However, it was the Senator from Oklahoma who offered the amendment. When he did so he explained to the committee that he was doing so in order that that quota would be available to the Secretary to be given to the friendly, magnificent country of Ireland. Under the strict language of the law it would not be required to be that country. So far as the Senator from Oklahoma is concerned, however, when he offered the amendment, that was the country that he had in mind and which he hoped would be the beneficiary of that quota.

Mr. PELL. Would it be correct to assume that this is a matter of legislative intent?

Mr. KERR. Well, the Senator from Oklahoma has gone as far as the facts warrant him to go in establishing the legislative intent. It was made quite clear to the committee by the Senator from Oklahoma that he was offering the amendment to make it possible for the Secretary to give that quota to the country of Ireland.

Mr. PELL. I thank the Senator.

Mr. KERR. The Secretary is not required to do so. It is my hope, and I must say it is my belief that that will be the result. I believe the Senator from Rhode Island need have no real fear in that regard.

Mr. PELL. I thank the Senator from Oklahoma. I share the same hope and belief.

Mr. McGEE. Madam President, will the Senator from Oklahoma yield?

Mr. KERR. I yield to the Senator from Wyoming.

Mr. McGEE. I, too, wish to salute the initiative and leadership of the distinguished Senator from Oklahoma, chairman of the subcommittee, who has presented the sugar bill to the Senate.

Too seldom do we see and consider proposals which represent a workable compromise between varied interests and concerns, rather than one-sided attempts by this faction or that interest group to obtain as much as they can at the expense of others.

The measure which the Senate is today considering represents, in my opinion, a completely workable and equitable solution to a rather complex problem which affects domestic agriculture, foreign agriculture, hemispheric

and world diplomacy, and last, but by no means least, the cost of living.

H.R. 12154, as amended by the Committee on Finance, will extend the Sugar Act for a 5-year period with certain changes and revisions which reflect changes in production and marketing that have occurred since the act last had legislative consideration.

Wyoming, because of its altitude and latitude, has a relatively short growing season, which seriously restricts the crop choices of our State's farmers. Therefore, the success in raising sugarbeets, usually under irrigation, has helped provide growth and stability to our agricultural economy. At the present time in Wyoming, sugarbeets are grown in four irrigated areas and processed at three sugar factories. Additional beets grown in border areas are shipped to to neighboring States for processing.

The bill now being considered would do much to assure the continued stability of the sugarbeet industry and would provide for orderly growth under the provision allocating 65 percent of increased consumption to domestic producers. This provision is, indeed, welcome news in Wyoming and the West.

The spirit of cooperation that I spoke of earlier in my remarks is evidenced by the fact that the bill incorporated many suggestions made by all segments of the domestic sugar industry earlier this year. These producers gave evidence of their good faith and desire for market stability by agreeing to a provision which will reserve a portion in domestic production increases—which existing growers probably could have absorbed entirely—to new growers, thus broadening production and spreading its economic benefits to more farmers.

The quotas set forth in the bill will produce even more stability in the sugar industry, since producers will have definite guidelines on which to plan production.

The proposal to reserve for possible future use a segment of the old Cuban quota by a new free Cuban Government has my wholehearted support. Each day we read of increased unrest in that Red-puppet regime. By holding forth the hope that if the peoples of Cuba overthrow their dictators we will help them regain economic stability, we help speed the demise of that totalitarian government. To provide hope for the future to those presently denied liberty is to provide them with the most effective weapon against tyranny. For with that hope, nothing is impossible.

Having considered what I believe are the main aspects of the bill, I wish to mention a fact which illustrates just how important sugarbeets are to western agriculture. We are concerned here with the end product—sugar. Yet, after processing, there remains from the beet, the pulp and the tops. Both have proved to be excellent as livestock feed. Thus, the western meat industry will also share in the benefits of this legislation.

The bill represents an equitable approach to the problems of the sugar industry. I urge its speedy passage by the Senate, so that the stability so necessary to growth and order may be provided for this vital segment of our agricultural economy.

The difficulties of reaching stability and insuring some guidelines ahead were extremely severe in the consideration of the bill this year. We all know of the pressures which were applied and the obligations which impinged upon the usual approaches to this question. Thus, our hats are off even more vigorously than traditionally to the Senator from Oklahoma for having produced this excellent bill. The bill represents a fair and stable approach. I urge its passage and again commend the chairman for his activity in its behalf.

Mr. KERR. I thank the Senator from Wyoming, but I must make it clear that the bill was considered seriously and ably by all members of the committee. With very few exceptions, the members of the Committee on Finance approached the consideration and action on the bill with the firm resolve to make better and more enduring provisions for the economic welfare of the domestic producer and the domestic economy, and for the protection of the domestic consumer, as well, believing that an ample supply of a basic commodity such as sugar, at a reasonable price over the past years and for the future 5 years, is of equal value to the consumer as well as to the producer.

I am most grateful to the Senator from Wyoming. His expression of appreciation is due the entire membership of the Committee on Finance.

Mr. FONG. Madam President, will the Senator from Oklahoma yield?

Mr. KERR. I yield to the Senator from Hawaii.

Mr. FONG. Madam President, coming from a sugar-producing State, where 1 out of 15 persons is dependent for his livelihood upon sugar production, I, too, wish to commend the Senator from Oklahoma [Mr. KERR] for a very fine presentation of an excellent and fair sugar bill. I desire to commend also the members of the Committee on Finance for reporting this excellent sugar bill.

When the bill was reported to the Senate, I was amazed to find that it included section 14. I said to myself: "I do not believe the members of the committee fully realize the harm which that section could do. I do not believe the committee would like to see the sugar production of Hawaii so drastically harmed."

But I was very happy today to note that the distinguished Senator from Oklahoma has offered an amendment to delete section 14. For that action, I am grateful, and I know the people of Hawaii will be grateful.

Under the present law, a Federal excise tax of one-half cent a pound raw value is imposed on all sugar processed in the United States. For the 1961 crop, the U.S. Treasury collected $10,047,126 for cane sugar produced by Hawaii sugar plantations. It returned $8,675,369 to them as payments for complying with production restrictions, for paying fair wages to workers, for not employing child labor, and, if they are also processors for paying fair prices for sugarcane and sugarbeets.

This procedure resulted in a net gain to the U.S. Treasury of $1,371,757 from Hawaii sugar processed. Each year since the inception of the Sugar Act, the excise tax paid on Hawaiian sugar production has substantially exceeded the compliance payments to our sugar companies. The sugar industry in Hawaii would be in a much improved financial condition if this excise tax were not imposed. It would result in a gain to Hawaiian producers of $1 million more a year.

Rates contained in section 14 would cut by nearly one-half the compliance payments to Hawaii sugar growers.

Even with the present compliance payments, Hawaii's sugar industry is barely able to survive. In 1961, the best year in a number of years, even after the receipt of compliance payments, five of the 27 companies showed net losses. In 1960, 14 were in the loss column; in 1959, 13; in 1958, 16; and in 1957, 6.

Section 14 would be ruinous to Hawaii's sugar industry, which today is the mainstay of our State's economy. It would put some of our companies out of business and would further compound a serious unemployment situation existing in our State.

Hawaii's sugar industry employs some 14,000 persons at the highest wages and under the best working conditions in the sugar world. These people and their dependents, totaling more than 40,000, derive their livelihood directly from sugar. In addition to those directly employed in the sugar industry another 19,000 persons are employed in closely allied enterprises.

Madam President, I have been told by the distinguished senior Senator from Delaware [Mr. WILLIAMS] that he would oppose the deletion of this amendment. I feel certain the distinguished Senator from Delaware does not fully understand the harm the amendment would do to the people of Hawaii. At the time of the hearings by the Finance Committee on sugar legislation, there was no proposal to reduce or alter compliance payments. Therefore none of the testimony before the committee dealt with this problem. This amendment was proposed in executive session of the committee. It seems apparent that the committee could not have been fully informed on the adverse effects on America's sugar industry.

I know that the Senator from Delaware, if he understood the deleterious effect which the amendment would have upon the sugar industry in America, would not insist upon having section 14 remain in the bill.

I again commend the distinguished Senator from Oklahoma for his very fine presentation and the committee for its reconsideration of this amendment and its decision to delete it.

Mr. KERR. Madam President, I urge the adoption of the committee amendment.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

Mr. BENNETT. Madam President, has the amendment been agreed to?

The PRESIDING OFFICER. It has not.

Mr. BENNETT. I shall wait until action has been taken on the committee amendment before I speak.

Mr. WILLIAMS of Delaware. Madam President, the bill as reported by the Committee on Finance is a substantial improvement upon the bill which came to the Senate from the House. I support the Senate committee bill; however, I regret that the Committee on Finance approved the offering of a committee amendment which would delete section 14. Section 14 would have cut back some of the larger subsidies for domestic producers. I believe that those subsidies should be cut back, particularly the subsidies to the larger producers.

I am aware of the situation with which the Senate is now confronted; however, the bill, even with section 14 deleted, is so far superior to the bill as passed by the House that I shall support the Senate committee bill. The Senate bill does delete the multimillion-dollar subsidies for foreign producers.

For the RECORD, I ask unanimous consent to have printed at this point in my remarks a list of the payments that will be made to domestic producers under the revised Senate bill and a list as they would have been made under the bill had section 14 not been deleted.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Estimated Sugar Act payments computed on proposed rate of payments (1960 crop data)

Payments to—	New basis	Old basis
Puerto Rico:		
Luce & Co., S. en C	$359,841	$590,661
Sucesion J. Serrallas and Wirshing & Co	213,335	370,903
Heirs of Miguel Esteve Blanes	97,579	137,312
C. Brewer Puerto Rico, Inc	253,753	431,530
Antonia Cabassa Vd. Fajardo	83,564	111,489
Miguel A. Garcia-Mendez	58,585	69,858
Antonio Roig, Sucrs	192,335	339,403
Mario Mercado e Hijos	78,941	103,786
Jorge Gonzalez Hernandez	50,253	58,750
Heirs of Mario L. Mercado Parra, deceased	74,226	95,927
Ernesto Quinones Sambolin	53,694	63,267
Heirs of Lucas P. Valdivieso, deceased	66,088	82,363
Quintero & Davila, Ltd	49,364	57,584
Waldemar Bravo	69,111	87,402
Ramon Gonzalez Hernandez	81,657	108,311
Total	1,782,326	2,708,546
Difference	$926,220	
Louisiana:		
Southcoast	167,688	303,971
Southdown	118,185	186,270
Sterling	63,933	78,772
Churchill & Thibaut	47,835	55,577
Dugas & LeBlanc	51,240	60,047
A. Wilbert's Sons	52,797	62,090
Milliken & Farwell	60,492	73,036
Savoie Farms	45,408	52,391
Total	607,578	872,154
Difference	264,576	
Beet area: Newhall Land & Farming Co	44,440	51,122
Difference	6,682	
Virgin Islands: Virgin Islands Corp	41,756	62,017
Difference	20,261	

Estimated Sugar Act payments computed on proposed rate of payments (1960 crop data)—Continued

Payments to—	New basis	Old basis
Hawaii:		
Hakalau	$105,894	$155,398
Hamakua	129,245	212,519
Hawaiian Ag. Co	207,154	361,632
Hilo	109,846	166,446
Honokaa	136,712	230,254
Hutchinson	143,310	245,923
Kohala	206,530	360,695
Puna	158,653	282,364
Laupahoehoe	164,020	294,152
Onomea	125,329	203,218
Paauhau	99,250	141,281
Pepeekeo	113,287	174,619
Hawaiian Com. & Sug	619,861	980,691
Pioneer	241,485	413,127
Wailuku	137,949	233,192
Ewa	223,233	385,747
Kahuku	111,157	169,559
Oahu	299,459	500,089
Waialua	276,876	466,215
Gay and Robinson	97,144	136,279
Grove Farm	155,660	275,255
Kekaha	194,191	342,187
Kilauea	105,975	157,254
Lihue	249,015	424,423
McBryde	136,408	229,533
Olokele	143,639	246,705
Waimea	38,576	44,011
Total	4,729,858	7,832,768
Difference	3,102,090	
Florida:		
U.S. sugar	482,814	775,121
Okeelanta	200,335	351,403
Total	683,149	1,126,524
Difference	443,375	

Mr. WILLIAMS of Delaware. Madam President, many of these payments are going to the larger producers who, in my opinion, could have produced their sugar without the benefit of all of this subsidy from the Federal Treasury.

Therefore I oppose this amendment, and I oppose the committee amendment which included an allotment for Ireland.

The Senate committee did a good job when it rejected the provisions of the House bill which would have approved allotments and multimillion-dollar subsidies for producers in numerous foreign countries throughout the world; but in the face of this action how can the addition of an allotment for a new country, Ireland, be justified?

The PRESIDING OFFICER (Mr. PELL in the chair). The question is on agreeing to the amendment to the committee amendment.

The amendment to the committee amendment was agreed to.

Mr. KERR. Mr. President, I move that the vote by which the amendment to the committee amendment was agreed to be reconsidered.

Mr. SMATHERS. Mr. President, I move that the motion to reconsider be laid on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. BENNETT. Mr. President, in the interest of saving time for the Senate, I shall confine my discussion primarily to the differences between the Senate and House versions of the bill.

I am sure I do not have to point out to my knowledgeable and distinguished colleagues on both sides of the aisle that the conference with the probable conferees of the other body may be extremely difficult on the foreign aspects of this bill. These I shall discuss later.

On the domestic aspects, I believe there will be little difficulty. Most of the domestic changes made by the Finance Committee are not major in nature, and they are not likely to cause conference problems.

The Senate version raises from 50,000 tons to 65,000 tons the amount of sugar production that may be reserved—in terms of acres—for new sugarbeet producers where it can be shown expansion is to take place. The Senate version also provides some guidelines to assist the Secretary of Agriculture in making such special acreage allocations, and it provides specific guarantees to help assure the acreage for areas where expansion appears most likely to take place. It is a decided improvement in substance over the House version, in this respect; and although it may be advisable to make some clarifying changes, there should be no difficulty in conference.

It is my understanding of the operation of this amendment that, in addition to strengthening the rights of new growers, its application would not appreciably interfere with the historical rights of established growers.

As a further corollary to the added protection for new producers, the Senate version also makes a slight increase in the percentage of annual market growth allocated to domestic producers, for the benefit of established growers. This increase is very slight—two percentage points, divided between the domestic beet and mainland cane areas on a basis of about 3 to 1. This will mean an increase in the beet sugar quota of only about 2,400 tons of sugar a year, and in the mainland cane quota of some 800 tons a year. Frankly, I do not believe this is enough for either area. But in view of all the pressures existing from other elements of the domestic sugar industry, and, unfortunately, also from the Government, to keep beet expansion at a minimum, and to keep the beet quota at a minimum, it appears to be about the highest percentage that can be reasonably achieved within the scope of the agreements that were made between the industry and the Government on the domestic phases of the bill. The Senate should adhere successfully to its version.

One further difference between the Senate and House versions exists on the domestic side—on the importation of white sugar; that is, refined sugar in distinction to raw sugar. While this is of interest to the entire domestic industry, it is of particular interest to the cane sugar refiners. The Senate version

of the bill eliminates 125,000 tons of the refined imports of 375,000 tons formerly permitted to come in, at Cuba's option, as part of the Cuban quota. The House version of the bill eliminates all of Cuba's former option to import 375,000 tons, and, in addition, eliminates about 75,000 tons of additional refined imports permitted by the present law. I am confident these differences can be resolved in conference.

The big issue in the conference will be on the foreign aspects of the bill, and on these aspects there is a wide difference between the Senate and the House versions. This difference will be difficult to compromise. I believe the Senate version is sound in principle and is in the national interest. I firmly believe that the conferees should not compromise on the basic principle involved in the foreign phases of the Senate version of the bill. This is to say that I favor generally the so-called global quota principle established in the Senate version. It is a move in the direction of an open market for obtaining the foreign sugar supplies which supplement our domestically produced sugar. The special import fee which the Senate version authorizes will help to slow down the drain on our gold, which is serious today, and is becoming increasingly serious, endangering the soundness of the American dollar to a greater degree than most of us are willing to recognize.

The global quota principle will eliminate the rash of lobbyists for foreign sugar interests which have been exerting tremendous pressures on individual Members of the Congress. The unbelievably high fees which are being paid to lobbyists for foreign sugar interests, some of them on a contingent basis, payable according to the degree of success the lobbyists have in wresting high quotas for particular foreign sugar interests, are most objectionable, to say the least.

Its foreign provisions make the House version unsound sugar legislation. By parceling out every ounce of our entire foreign requirements—including every ounce of the replacement for Cuban sugar—to more than 25 individual nations, literally all around the globe, the House version of the bill goes much too far.

The Senate version would preserve some 2½ million tons of the former Cuban quota, without allocation at all, on a first-come, first-served basis. All of this, under the Senate version, would be subject to an import fee. And the bill would keep individual country quotas for only the countries that now have quotas; and these quotas would be subject to a gradually increasing import fee, except for the quota of the Philippines, with which we have a treaty which involves a gradually increasing tariff.

This is an approach to which I hope the Senate will agree; and I hope the Senate conferees will insist on it. The ability of the Senate conferees to maintain their position will to a large measure depend upon the support given by the administration. The Senate version, on the foreign side and essentially on the domestic side, is the administration bill.

At times I have not agreed with the administration. But sugar legislation is, and always has been, bipartisan legislation. And this time I hope sincerely the administration will help the Senate conferees influence the House conferees to recede from their version of the bill.

I am mindful that if the United States opens up a large share of its markets to the world, without quotas, the so-called world market price may rise, and the import fee would not be so large as the present difference between the domestic raw price and the price on the so-called world market might lead us to believe. In the administration of the program we must not forget our historic friends in Latin America, so they will have an incentive to bring sugar to our market. And it is my understanding that the provisions of the Senate version can be administered in such a manner. This would promote the laudable aims of the Alliance for Progress.

Only a small part of the total sugar supply in the world is sold at the so-called world price. Most of the world's sugar is consumed in the countries where it is produced, and growers and processors in those countries receive a higher price than the world price, as do our own domestic growers and processors. Only about 30 percent of world sugar production enters international trade, and more than half of that is bought and sold under systems of price protection. Ours is not the only one. Sugar moves to the British, French, and Portuguese metropolitan markets, for example, under preferential arrangements with their oversea supplying areas; and there are other similar arrangements.

Comparisons are sometimes drawn between the price paid by domestic refiners for raw sugar in New York and the price of raw sugar on the so-called world market. The inference is made that the world market provides some kind of worldwide standard, that any price higher than the world price is too high, and that the U.S. consumer could get sugar much cheaper if the sugar program were junked and if refiners bought all their sugar on the so-called world market. But the comparisons are misleading, and the conclusions drawn from them are untrue and, therefore, unfair.

In fact, the so-called world market and world price are essentially fictitious, and bear little, if any, relation to economic reality. Since less than 17 percent of world sugar produced is traded on this so-called world market, and usually only 10 to 12 percent, it is difficult to see how such trade could result in a world price. This sugar is essentially surplus or residual. Of the 57.5 million tons of sugar consumed throughout the world each year, fully 40 million tons are consumed in the countries where it is produced. Nearly all countries produce their sugar under some type of national control or supply program, because sugar is such a vital product.

To refer to a world price is, therefore, essentially to refer to a fiction.

Yet I do feel that the provisions of the Senate version of the bill are much sounder than the hodgepodge of individual country allocations of the House version. And I believe that enactment of the Senate version will in no way destroy the stability which has marked our sugar system in the past—the stability which has benefited consumers as well as producers.

So I will support the Senate version all the way—in the Senate and—if I am included in it—in the conference.

Mr. DWORSHAK. Mr. President, will the Senator from Utah yield?

Mr. BENNETT. I yield.

Mr. DWORSHAK. According to the committee report, the new sugarbeet allocation was raised to 65,000 tons, which will mean that possibly a new sugar-processing plant will be required in order to take care of this increased production. Is that correct?

Mr. BENNETT. It is correct that the bill requires the Secretary to make available to new areas as much as 65,000 tons a year. That figure was set because the testimony is that at least 55,000 tons will be necessary in order to justify the investment in a new plant; but this is not the total of the amount to be added to the domestic beet quotas, through growth. This will be approximately 78,000 tons.

Mr. DWORSHAK. Under this provision, will new producers in Idaho and Utah participate? How will the new acreages be allocated?

Mr. BENNETT. It is the thought of the committee that priority for the allocation of the new acreage should go to areas which have a demonstrable capacity to produce beets, but which so far have not been able to attract investment for a new mill; and I would assume, then, that if there are new producers who want acreage in areas already served by an existing sugar mill, they would have to wait until the new growers in the areas not now served have been taken care of.

Mr. DWORSHAK. In the southern part of Idaho there have recently been brought in, from a Federal reclamation development, approximately 78,000 acres of land. All of that was done under a system of providing homesteads for veterans of World War II. Under the restrictions which have curtailed the production of beets during the past few years, it has been difficult, if not impossible, for them to get any beet allocations.

Under the bill, will these homesteaders be permitted to participate in the new producer sugarbeet allocations?

Mr. BENNETT. As I have said, the new allocations include at least 12,000 tons to 13,000 tons in addition to what would be necessary in order to justify the development of a new mill in an area which is not now served by a mill. I would assume that much, if not all, of this would be available for allocation in existing areas, and perhaps even more, because while we allow 65,000 tons a year for new producers, the testimony is that only 50,000 tons are actually necessary in order to support a new mill.

Mr. DWORSHAK. It is also possible, is it not, that the State of Idaho, for example, would enjoy increased sugarbeet allocations which could be distributed on the basis that these homesteaders, who have been denied acreage in the past, might get additional acreage in the future?

Mr. BENNETT. This is the responsibility of the Secretary of Agriculture.

Mr. CURTIS. Mr. President, at this point will the Senator from Utah yield to me?

Mr. BENNETT. Yes, I am happy to yield.

Mr. CURTIS. I think the record should show—and no doubt the distinguished Senator from Utah has shown it—that the committee intended an orderly expansion of the sugarbeet industry in this country, to be participated in by farmers in a general way, insofar as possible.

We did not undertake to define a new area. It is impossible to do so by geographic lines. There are many facts that have to be taken into account, and it would be up to the Secretary to determine what a new area is.

Also, in increasing the reserve for new areas from 50,000 to 65,000 tons, we increased the portion of the growth factor in the House bill from 63 to 65 percent.

Mr. BENNETT. May I observe that the House bill increased it from 55 to 63 percent, but the combination of the two increases represents an increase of from 55 to 65 percent of growth.

Mr. CURTIS. Yes, and I think the entire committee proceeded on the understanding that while the majority opinion was for an expansion of the beet sugar industry—and I certainly am—we were not seeking to do it at the cost of existing producers and processors. In other words, we wanted a real expansion rather than to take it away from one producer or one group and give it to someone else.

Mr. BENNETT. That is my feeling. This is a problem which has faced the committee for a number of years. There are areas where it is possible to grow sugarbeets, and there are areas where they do now grow sugarbeets, but not in a sufficient volume to establish a nearby mill. I think that is true of the State of Nebraska.

Mr. CURTIS. Yes. If the Senator will yield further, I read from page 6 of the report:

> The bill does not undertake to define a new area. The Secretary, with all the facts of the immediate time of the consideration before him, will make such a decision. It may be assumed that the Secretary will formulate a workable definition. It would appear that a new area should not be compelled to show that no sugarbeets at all are now being raised.

Obviously, we would not want to create a technical situation where someone with a small batch of beets in a town or a river valley somewhere thought that was a new area.

I read further:

> as there may be qualified areas where a few farmers have had some small sugarbeet history with beet shipments being made over great distances to be processed with the grower absorbing part of the freight charges. On the other hand, an area in which sugarbeet raising is and has been an important and significant part of agriculture might not qualify as a new area.

In other words, we are saying to him, "Work out the most reasonable and fair definition and guidelines possible and make the extension called for here."

Mr. BENNETT. That is what we tried to say.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. BENNETT. I yield.

Mr. DWORSHAK. The committee report indicates that under the present legislation domestic beet sugar producers are allocated 2,110,627 tons, while under the proposal before the Senate the total would be increased to 2,650,000 tons, which is approximately a 25 percent increase.

That would probably mean that the areas which have been producing sugarbeets for several years and have established quotas could expect to have an increase in the quotas of upward of 25 percent?

Mr. BENNETT. It would mean that over all, but there is another factor in the situation. Under the present law, with the 2,110,000-odd tons allocated to sugarbeets, the sugarbeet areas also have the privilege of supplying the deficit in Hawaii and Puerto Rico. This was represented to be, at the peak, something less than 400,000 tons. But under the new bill, the privilege of supplying those deficits is taken away, and they are given 2,650,000 tons, which is an increase, but is a firm increase. When they were dependent upon the deficits, they did not know whether a return to a good year in those other areas would wipe out the quota they were getting from year to year. As it is now, they have the total overall 2,650,000 tons on a firm basis.

Mr. DWORSHAK. That indicates there would not actually be an increase of 25 percent, because many of these areas have been adding to their quotas by making up for deficiencies.

Mr. BENNETT. That is correct. It would not be a total increase of 25 percent in comparison with the last few years; but in terms of a firm right to a quota, it is an increase of 25 percent.

Mr. ANDERSON. Mr. President, I strongly support H.R. 12154, the pending sugar bill, as amended and reported by the Senate Finance Committee. I believe that the bill will provide a sound sugar program and permit some of our farmers in new areas to supply some of our domestic sugar requirement. I have contended for some time that when new sugar legislation is enacted that this should be done.

Briefly, the aims of our sugar laws have been:

First. To maintain a healthy and protected, but competitive, domestic sugar industry of limited size, capable of supplying in peace and war a substantial part of our needs.

Second. To avoid an undue cost burden on domestic consumers by assuring adequate supplies at reasonable prices.

Third. To assure the benefits of the domestic production going to producers and to laborers, and to eliminate child labor from our sugarbeet and sugarcane fields.

Fourth. To promote our general export trade.

These aims have been achieved to a great degree by the enactment of the Jones-Costigan Act in 1934 and subsequent amendments and extensions of the act. In this law we abandoned the old tariff as the principal instrument for protecting the domestic sugar industry, and adopted instead a quota system which regulated and limited the supply and price of sugar made available to consumers.

The Sugar Act worked pretty well until the breaking off by the United States of diplomatic relations with Cuba and the subsequent stopping of all sugar imports from that country. When we discontinued the importation of sugar from Cuba, there were numerous claimants for quotas to supply the approximately 3 million tons of sugar formerly received from Cuba. Among these were demands from our American farmers that they be permitted to supply a greater portion of our annual requirements—at least that portion represented by the total annual growth in consumption.

The sudden change in our sugar supply situation gave a great many people a pretty hard jolt. We came to realize very quickly that almost anything can happen. A few years ago no one dreamed that Cuba would suddenly go Communist and that our principal offshore sugar supply would be cut off. It became clearer than ever before what it could mean if the supply of this important commodity should be drastically cut during a national emergency. Many of us believed then and now that we should never have to face such a situation.

This sudden change brought with it the problem of deciding what kind of a sugar program would be best for this country in the future. We were faced with the problem of making adjustments in quotas and in the process incurring not only the ill will of some of the countries of the world who desired to sell us the sugar formerly purchased from Cuba, but also the American farmer, should we fail to give him fair consideration. Twice we have given temporary extensions of the act with the promise that the whole problem would be considered next session when the Senate could get a bill in time for proper hearings and debate. We have had a little more time this session, but we have been unduly rushed to get a bill reported in time for any debate and consideration on the floor.

When we came to consider this question in 1961, it was evident that no sugar law would be passed again unless Congress was willing to give American farmers a larger share of our domestic quota. We now have before us a bill that does provide a larger share to domestic producers, but perhaps not as much as many of us would like to have. At least we have made a start. Our farmers have

advanced strong arguments in support of their request for a greater part of our domestic sugar quota. It has been pointed out that in many areas of the country our farmers are anxious to divert acreage now in surplus crops to the growing of sugarbeets. Studies and experiments have been conducted in several areas and these areas have proven that they are capable of growing sugarbeets. Acreage that would be put into sugarbeets would come from land now producing surplus crops. The cash return from new production would be a great boost to the individual farmers, and would provide a shot in the arm for the economy in some of our depressed agricultural areas. Several of the beet refiners have expressed a strong interest in constructing mills in certain new areas.

Mr. President, the argument has been advanced that for the past 2 years we have had no restrictions on planting of cane or sugarbeets—that any farmer could plant all that he wanted of either crop. There has been some planting of cane because the risk and the cost in setting up a cane mill is much less, and can be accomplished in a much shorter time, than could be done for beets. No new beet areas have come into production principally because there is no milling capacity. About $15 million and 2 years of work are required to put a beet sugar refinery into production. No new mills have been built because there has been no assurance that if restrictions were reimposed that any such venture started could go on to completion. The mills had to have a guarantee that production of beets would be available and this was not possible without a guarantee from the Department of Agriculture that should restrictions be reimposed the farmers would have permission to plant beets to supply the mill.

As amended and reported, H.R. 12154 will provide the necessary protection to processors and growers and guarantee an acreage history sufficient to produce 65,000 tons of sugar in a new area each year. This amount might permit the establishment of three new mills during each 2-year period, although I doubt if we will actually require that many to serve the needs of consumers. I believe that this is a good start and will not damage our relations with our traditional offshore suppliers and it certainly demonstrates that we are trying to keep faith with our farmers.

Mr. DOUGLAS obtained the floor.

Mr. MOSS. Mr. President, will the Senator yield?

Mr. DOUGLAS. Mr. President, I yield to the Senator from Utah with the understanding that I do not lose the floor.

Mr. MOSS. Mr. President, I ask unanimous consent that the Senator from Illinois not lose the right to the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOSS. Mr. President, the bill reported by the Senate Finance Committee to amend and extend the Sugar Act of 1948 is superior in every way to the House-passed bill. The committee is to be commended for the careful job it did in refining the bill, and particularly for removing from it the windfall subsidies to foreign producers which the American consumer would have had to absorb. Had the committee not done this job, and done it so well, we would have had to do it here on the floor, because the bill as passed by the House smacked loudly of special privilege. It would have denied the State Department the tools inherent in the sugar program to strengthen our foreign policy, and would have done grievous injury to the American consumer.

We of the sugar-producing States were particularly gratified that the committee adopted the amendment offered by the Senator from Oklahoma [Mr. KERR] and the Senator from New Mexico [Mr. ANDERSON] to increase the share of the future growth of the U.S. market allotted to domestic beet and cane sugar growers from 63 to 65 percent. Since approximately 75 percent of this percentage goes to beet sugar and 25 percent to cane, the West particularly will profit.

Although, when studied carefully in all of its ramifications, the 2-percent increase is little more than a token increase, there will be some benefits to sugar growers and to refiners.

The biggest benefit this bill could bring to the domestic sugar industry, however, is the assurance of stability. For 2 years the sugar industry of Utah, and elsewhere, has been trying to operate under the uncertainties of short-term extensions, and it has been impossible to plan for more than a few months ahead. With the enactment of this measure, the industry can plan ahead for 5 years.

I hope, therefore, that this body will take speedy action on H.R. 12154. It gives the domestic sugar producers a better deal than they have had—and it assures them that they will have that deal for 5 years. I realize that there are some major differences between this bill and the measure the House passed, and that the conferees are going to be faced with some sharp differences of opinion. But perhaps, if we can get this bill through quickly, and give conferees a day or two for conferences before the end of the fiscal year, we can enact a long-range sugar program. Another stopgap, 1-year extension of the present program would be wholly unsatisfactory. In the interests of a healthy sugar industry in the West, the South, and the Midwest, let us make a supreme effort to get the long-range bill through this week, and end the sugar industry's period of frustration and uncertainty.

Mr. DOUGLAS. Mr. President, I yield to the Senator from Idaho [Mr. CHURCH] on the same terms.

Mr. CHURCH. Mr. President, I rise to support the bill we are now considering H.R. 12154, as reported by the Senate Committee on Finance.

I particularly wish to stress the importance of the domestic provisions to the sugarbeet industry and the entire economy of Idaho. For nearly 60 years, the growing of sugarbeets and the production of beet sugar have contributed greatly to the growth, development, and stability of my State. The domestic features of this bill will enable this vital agricultural and industrial enterprise to continue to make a worthwhile contribution to Idaho.

While we have a great, established sugarbeet industry in my State, we also have farmers in some areas who are anxious to become a part of the industry. The new-grower provisions of this bill have, I believe, effectively resolved the conflict which existed a year ago between the two groups. The new basic quota recognizes to a large degree the remarkable achievements the industry has already made in production and in marketing. The improvement in the industry's future share of increases in the U.S. sugar market will provide an opportunity for many of those who are really serious about it to get into production.

I admit I would be happier if the bill provided a larger beetsugar quota and a larger share of the future market growth. Some who want to produce beets will be disappointed. But this is a significant step in the right direction, and a big step in the right direction. It represents tremendous progress over the situation we were in last year.

Perhaps if we moved too fast in the direction of expansion we would disturb the stability which has been a salient feature of the U.S. sugar program for 28 years—the stability which has assured plentiful supplies for American consumers at most reasonable prices, and at the same time has helped to foster a healthy and dynamic domestic sugar-producing industry.

As we engage in our discussion of the sugar bill here today, let us keep our remarks in perspective. Let us not be misled by any attempts which enemies of our successful sugar program may make to discredit it. The basic principles of the system are sound. They must and should be preserved.

That is not to say that changes cannot be made or should not be made, to fit the program into the situation which confronts us in today's world. The foreign provisions of the Senate committee bill recognize reality, and make the changes in the program that should be made to adapt it to a sugar world that changed so drastically when the bearded Castro moved out of the Sierra Maestra into Havana. And the same provisions, without specific allocations of the tonnage held in reserve for Cuba's return some day to sanity, will make changes again so much easier to fit that situation when that happy day does arrive.

Yet, in our zeal to open the doors of our market wide enough to admit a huge tonnage of sugar to enter without quotas, let us not destroy the program or the public acceptance of the program with ill-timed and thoughtless talk. Let us remember that the government of nearly every sugar-producing country around the globe exercises control over the production, refining, and marketing of sugar. Let us not hold up the so-called world market as a model or as a lure. That market is a dumping ground for homeless sugar, it is a depressed market, and an especially depressed market

right now because of the overabundance of sugar in the world today.

Anyone who holds forth the world market price as a world price with the implication that it represents prices all over the rest of the world, is either deliberately perpetrating deception or is revealing his abysmal ignorance of the facts of the world sugar economy. It is utterly false to use the price on the world's surplus market as a measure for determining the fairness of prices in the United States or anywhere else.

In measuring the price to U.S. consumers by the prices paid by consumers in 121 nations around the world, the impartial Food and Agriculture Organization of the United Nations found that the U.S. price was only equal to the average prices in all the other countries. And in another study by an objective body, it was learned that, in terms of the time it takes an average workman to earn the price of a pound of sugar, the price in the United States is the lowest in the world.

Those are true and fair measures.

By any measure that is true and fair, Senators will find that the U.S. sugar program is indeed equitable to the person who buys sugar, as well as to him who produces it.

H.R. 12154 will, I am convinced, continue the basic principles which have so distinguished this program.

I congratulate all segments of the domestic sugar industry for the splendid spirit of accomodation they have shown in developing and agreeing on a united approach to the domestic provisions of this legislation.

I urge the Senate to pass the bill.

Mr. DOUGLAS. Mr. President, the Sugar Act which has now been in effect for almost 30 years is one of the most important and least understood measures which the Congress has ever passed.

From the standpoint of the consumers, the Sugar Act also is one of the most costly measures ever passed.

The pending bill as reported represents a distinct improvement over the existing situation and over the bill which was passed by the House. I intend to support it for that reason. However, I think it important that we should know what the sugar program costs the consumers of the country, and how and why it costs these sums.

DOMESTIC PRICE SET BY LIMITS ON PRODUCTION AND IMPORTS

The basic regulation in the sugar industry is that the Secretary of Agriculture is directed to set production quotas on both domestic production and foreign imports, by controlling the total amount of sugar to be grown in this country and imported from abroad, under congressional direction, we maintain in practice a price of approximately six and a half cents for raw sugar prior to refinement.

The price has been steady. What is not mentioned and is frequently covered up is the great disparity between the domestic price and the foreign price. The domestic price for raw sugar is now 6.4 cents a pound. The world price is 2.7 cents a pound. To this latter figure should be added a tariff of five-eights of a cent per pound and a freight charge of three-tenths of a cent per pound, or $12.50 and $6 a ton respectively.

PRESENT SUBSIDY IS $56 A TON

This means that world sugar can be laid down in the United States, raw, for approximately 3.6 cents a pound, but the domestic price for sugar, raw, is 6.4 cents a pound. There is therefore what is euphoniously termed a premium of 2.8 cents a pound above the present world price for both the foreign sugar and the domestic sugar. Since sugar is computed in terms of short tons of 2,000 pounds this means a premium or a subsidy per ton of $56.

TOTAL SUBSIDY IS $560 MILLION

The total domestic production and foreign supply in the coming year will be only a very little short of 10 million tons. This means the total subsidy to domestic and foreign producers will be 10 times $56 million, or $560 million. Of this approximately 60 percent, or around $330 million, will go to domestic producers, and approximately $225 million will go to foreign producers for the 4 million tons which will be produced abroad.

CONSUMER PAYS SUBSIDY THROUGH HIGH PRICES

Everyone should realize that the consumers will pay these amounts. We have heard a great deal of talk in this Chamber for the last hour and 15 minutes about what the program will mean for the producing areas. We have not heard a word about what it will do to the consumers of the country. It involves a directly higher price to be paid for both domestic and foreign produced sugar which, in terms of world prices, amounts to more than $550 million a year.

EXCISE TAXES AND PRODUCTION PAYMENTS ALSO RAISE PRICE

In addition, there are the so-called excise taxes and production payments. There is an excise tax on all sugar refined in this country, domestic or foreign, of a half cent a pound, or $10 a ton. This brings in a little less than $100 million a year. Then production payments are paid to domestic producers. Last year these amounted to approximately $73 million.

Make no mistake about it, the consumers pay for the production payments, because the production payments come out of the excise taxes, and the price of sugar is raised by a further half cent a pound because of the excise taxes.

Very roughly, during the current year the consumer will pay either in premiums to producers at home and abroad or in production payments to those at home approximately $625 million, or about $3.50 for every man, woman, and child in the United States, or $14 for every family of four.

We sometimes forget, Mr. President, how much these costs have amounted to over a long period of time. These have been worked out. I ask unanimous consent that a table which I have prepared in this regard may be printed at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Year	Difference per pound between United States and world price	Total tons	Total subsidy
	Cents	*Millions*	*Millions*
1962	2.80	9.7	$543
1961	2.45	10.0	490
1960	2.21	10.4	459
1959	2.38	9.4	447
1958	1.91	9.2	351
1957	.14	9.0	25
1956	1.62	9.0	292
1955	1.76	8.4	295
1954	1.95	8.25	321
1953	2.02	8.1	327
1952	1.18	7.9	186
1951	−.60	7.9	−95
1950	.11	8.7	19
1949	.78	7.5	117
1948	.41	7.2	59
Total			4,009

FOUR-BILLION-DOLLAR SUBSIDY OR DIFFERENTIAL, 1948–62

Mr. DOUGLAS. Mr. President, since 1947 the total subsidy, figured on the basis of domestic price over world price, multiplied by total domestic consumption, aggregates almost precisely $4 billion. But that is not all. In the past 15 years the production payments have amounted to $900 million. So the amounts we have paid out in the past, both directly and indirectly, come to a little short of $5 billion.

Mr. PROXMIRE. Mr. President, will the Senator yield at that point?

Mr. DOUGLAS. I am glad to yield.

Mr. PROXMIRE. First, I congratulate the distinguished Senator from Illinois for making a fight in behalf of the consumers. I think it is about time someone spoke up for the consumers, and no one can do so more eloquently or vigorously than the Senator from Illinois.

I want to call attention to the fact that in addition to the sugar subsidy, there is also a Federal irrigation subsidy. According to my figures, in 1960 sugarbeets were grown on 394,000 acres irrigated with Bureau of Reclamation water, of which 189,000 acres were fully irrigated and 205,000 supplementally irrigated. Nearly all of this land was brought into production on the basis of a very substantial Federal subsidy, specifically for the unreimbursed interest on the funds advanced for the reclamation projects. The acreage cost, as the Senator from Illinois has testified before the Senate quite often, runs up to $1,000 an acre and more.

So, in addition to the very substantial cost of the sugar program to the consumers and the taxpayers, to which the Senator from Illinois already has alluded, we should add the nonreimbursed cost of this great amount of acreage—a substantial part of all the new sugarbeet acreage in the West—which also involves a very heavy Federal subsidy.

Mr. DOUGLAS. I had not known those acreage figures. I am very much interested in them. I assume the Senator has checked them and has found them to be accurate. They indicate, of course, a further subsidy, because while the principal on loans for irrigation is usually returned, interest is not paid on the money advanced by the Government.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield to the Senator from New York.

Mr. JAVITS. I wish to join my colleague in complimenting the Senator from Illinois for this analysis.

If we are deliberately to adopt a policy of paying out enormous sums because we believe that it would be in the public interest to do so, first, to deal with our international situation and, second, to help those who are raising a crop in the United States, we should know precisely what we are paying out in order to make a value judgment as to whether the benefits received are commensurate with the amounts which we are paying out of the National Treasury. The Senator from Illinois has been of great help to all of us, and he will continue to be as he analyzes the question further and states the real orders of magnitude which are involved. I am very grateful to him for his analysis of the situation.

Mr. DOUGLAS. I thank my friend from New York.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. PROXMIRE. I should like to mention two further figures which document the position the Senator from Wisconsin has taken. First, on the basis of official Government statistics in 1960 subsidy payments under the sugar program totaling $25,747,869 were made to growers of sugarbeets on irrigated land. Second, the interest subsidy to irrigating farmers for the related projects can be estimated to be $16 million a year. This is the result of forgoing the interest on the initial cost of the irrigation facilities. I point out that the new sugarbeet acreage that has come into production in recent years, and which will come into production as a result of this bill will be very largely, if not entirely, irrigated acres.

Mr. DOUGLAS. I thank the Senator from Wisconsin.

Mr. CURTIS. Mr. President——

Mr. DOUGLAS. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

HOUSE BILL WOULD ADD $3 BILLION IN SUBSIDIES IN NEXT 5 YEARS

Mr. DOUGLAS. I thank the Chair.

If enacted, the bill would continue the program for 5 years. If the House provisions were to be carried into effect, there would be an annual subsidy of at least $550 million, which would probably increase as the total consumption of sugar increased. The total for the 5 years of this act would be approximately $2,700 million, and production payments would amount to at least $400 million. Those are conservative figures. So the past program and the future program as laid down by the House would amount to more than $8 billion since 1948.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield.

Mr. GORE. Does it strike the distinguished senior Senator from Illinois as more than passing strange that some of the most ardent advocates of the regimentation of the sugar program, with subsidy and production payments to producers, nevertheless found the much milder restrictions and production controls of the farm bill with respect to feed grains utterly unacceptable, and called it horrible regimentation?

Mr. DOUGLAS. Mr. President, I have been puzzled by that point, but I am not trying to make war on either the beet sugar group or the cane sugar group inside our country. My aims at the moment are modest. I am trying to save $150 million in the bonus or subsidy which is now paid to foreign producers.

Mr. GORE. I did not intend to promote the distinguished and able Senator into waging war. It occurred to me that the point was worthy of comment, at least, in passing.

Mr. DOUGLAS. I think it is.

Mr. GORE. Distinguished Senators on both sides of the aisle who are ardent advocates of the rigid regimentation proposed by the pending bill—a Brannan plan type of production payment—are very much opposed to production control when the question of feed grains comes before the Senate.

Mr. DOUGLAS. Yes. I have been puzzled by it, but I would prefer to stick to sugar rather than getting off on corn.

Mr. GORE. I admit that it is a bit sweeter subject.

FINANCE COMMITTEE AMENDMENT, 1961

Mr. DOUGLAS. Mr. President, the program is very costly. Last year in the Committee on Finance I offered an amendment to the bill which the House sent over to us. The amendment provided that so far as foreign producers were concerned, there would be applied to their sugar a fee equal to the difference between the world price and the domestic price. That provision would have netted the Treasury approximately $140 million a year. It would not have produced any decrease in the price of sugar. It is said that that must be protected for the benefit of domestic producers. I make that statement in a somewhat satirical tone. But my amendment would have transferred into the Treasury—and have relieved the taxpayers of the United States correspondingly—the sums which were then being paid as a subsidy to the producers of sugar abroad.

To my surprise, the Committee on Finance adopted my amendment unanimously. Usually I do not have very good luck in the Finance Committee with respect to amendments which I propose, but on that occasion there was unanimity.

We came to the Senate Chamber with high expectation. On the floor of the Senate, we encountered certain obstacles, which we may still meet this year, either in the Senate or in conference with the House, and which deserve to be noted.

FOREIGN LOBBYISTS

The first obstacle we met consisted of the foreign sugar producers, who, instead of receiving 5½ cents a pound, would get only about 2.7 cents a pound. They would have lost the $150 million subsidy which we are trying to collect for the Treasury. Although they did not have much notice that such a thing was about to happen, they had a very good intelligence system. The word went out very quickly. The air was darkened by airplanes bearing sugar magnates from Latin America. They flew to Washington to protect their sugar. They were very effective in lobbying.

STATE DEPARTMENT OPPOSED

Then we encountered opposition from our State Department. The Latin American Division was then headed by a Mr. Thomas Mann, who was opposed to the proposal. He said that it would endanger our friendly relationships with the Latin American countries. The new President had been in office for only a brief time. The issue arose suddenly, and the State Department was able to convince the White House. So we had the opposition of the White House. We did not have too much support from those who come from the sugarcane- and beet sugar-producing areas of our country. Perhaps they were afraid that if the big subsidy on foreign sugar were exposed, their turn would be next. However, I did not propose to touch a hair of their heads or a mill from their accounts. So we were defeated on the floor of the Senate. The previous provisions continued in effect. As a result of that decision, we paid out to foreign producers during the past year $150 million which we would not have paid out had my amendment become a part of the law.

A further obstacle which we faced was of course the obdurate position of the distinguished chairman of the House Committee on Agriculture.

During the year that has passed there have been changes in the State Department, and the administration has become more aware of what the real issues are. The administration adopted my proposal. Mr. Mann has gone down to Mexico, where he is now the American Ambassador, and where, I am told, he is rendering fine service. There is new blood in the Latin American Division, and new blood in the Division on Economic Affairs.

The White House took a very keen interest in this subject, and a new bill was introduced several weeks ago by the distinguished Senator from Louisiana. It aimed at several things.

FOREIGN SUBSIDY GOES TO TREASURY

First—and to my mind most important—it provided that the difference between the world price and the domestic price of raw sugar should not go to the foreign producers, but should go into the American Treasury for the relief of the American taxpayer. I commend the State Department and the White House for reversing their position on this point. It requires people with a good deal of stature, after studying a measure, to see that their previous position was unwise. I hope that I shall not be regarded as being egotistical if I say that it gave me a certain degree of reassurance to feel that the program for which we fought last year was correct.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am very glad to yield to the Senator from New Mexico.

Mr. ANDERSON. The work which the Senator did a year ago has borne some fruit. Sometimes a Senator proposes an amendment, which is regarded by all as a fine thing, but somehow it becomes lost. The Senator may have lost last year, but his efforts have borne fine fruit this year.

Mr. DOUGLAS. I thank the Senator. He has been very helpful in this connection.

INCREASE IN DOMESTIC PRODUCTION

The administration measure contained another provision dealing with the Cuban quota. Cuba used to sell us a little more than 3 million tons of sugar a year or about a third of the American consumption. Then we stopped buying from Cuba. The question arose not only as to the price at which the former Cuban sugar quota should be bought, but where it should be bought. The administration made two proposals: First, that the domestic program be given about 600,000 more tons than it had last year. I take it that it was hoped that this would offer such solace to the cane and beet sugar producers that they would help so far as the foreign tax was concerned, although I am sorry to say that the man who testified before the House committee for the domestic sugar producers did not support the tax on foreign sugar.

After building up the allotment to domestic sugar producers from about 53 percent to nearly 60 percent of the existing quota for sugar, it was provided that 63 percent of the growth should go to the domestic producers, three-quarters to beet and one-quarter to cane.

FORMER CUBAN QUOTA TO BE BOUGHT AT WORLD PRICE

However, we left for Cuba, when she returns to the family of nations, when she becomes a democratic country, and once again is recognized diplomatically by the United States, 2½ million tons, at an undetermined price. This was an inducement for Cuba to throw off Castro and install a democratic government and at which time she would be received back into the fold, with little or no penalty.

Instead of the 2½ million tons being apportioned to individual countries, it was provided that this sum was to be purchased in the world market at the world price and on a global basis. As I have said before, the difference between the world price, plus freight, plus tariff, and the domestic price, was to flow to the Treasury. That was precisely what I proposed a year ago.

I believe the administration bill was an extremely good bill. I congratulate the Senator from Louisiana and his colleagues who sponsored it.

HOUSE COMMITTEE EMASCULATED ADMINISTRATION BILL

When it reached the House this year the House, however, threw the administration bill out the window. In the first place, instead of sugar being purchased on a global quota, the former Cuban sugar quota was assigned to countries on the basis of two types of quotas namely a so-called permanent quota and the temporary quota. A million tons were to be taken away from Cuba permanently and assigned to a wide variety of countries—some 24 in all—and the million and a half tons which Cuba was ultimately to get back were also assigned to a variety of countries—some 11 in all. Almost every country on God's green earth came in for a quota. Let me read a list of some of the new countries that were brought in for permanent quotas: British West Indies, El Salvador, Guatemala, Brazil, Ecuador, Colombia, French West Indies, Australia, Paraguay, India, South Africa, Mauritius—a small island in the Indian Ocean located some 500 miles off the coast of South Africa—Argentina, British Honduras, and the Fiji Islands.

One country that was left out was Ireland. The Senate committee remedied that grievous omission and has now included Ireland, as the Senator from Rhode Island [Mr. PELL], has brought out in his colloquy with the Senator from Oklahoma.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. MORTON. Is it not a fact that many of the new countries and islands that have been included as sources of supply are literally thousands of nautical miles removed from the nearest possible U.S. port of entry?

Mr. DOUGLAS. The Senator from Kentucky was in the Navy during the recent war. I believe he served in the South Pacific. He remembers how many days were required to get from San Francisco or Los Angeles to the Fiji Islands and India.

Mr. MORTON. And to Mauritius.

Mr. DOUGLAS. And to Australia and Mauritius. I believe the only time I had ever heard of Mauritius, was in connection with its being the place to which the British exiled Archbishop Makarios of Cyprus.

Mr. MORTON. The Senator is familiar with the economic factors which prevailed in World War I, which gave us a price of 30 cents a pound for sugar, and, in the Second World War, under price control, caused a shortage and rationing. Did that happen because of a shortage of sugar, or did it happen because of a lack of efficient transport to bring the sugar to this country?

Mr. DOUGLAS. The Senator from Kentucky was in charge of convoys during the war. It happened because of the sinking by submarines of a great many American freighters.

Mr. MORTON. That is correct. If we are setting up foreign or offshore quotas so as to provide us with a constant supply of sugar in peace or in war, I see little sense in going 12,000 or 15,000 miles away by sea. I have much more sympathy with the Caribbean community, the countries of the Caribbean, for example, because at least we can transport economically from there.

If the Senator will yield for one further question on a different aspect, does he not believe that under our constitutional system it is far better for the President, in consultation with the Secretary of State and the Secretary of Agriculture, to divide the amount of sugar we normally imported from Cuba, since it has become so important an element of foreign policy, rather than to have Congress, which is subject to the many pressures which confront us, divide that quota?

Mr. DOUGLAS. Yes, I quite agree. The State Department pointed out the difficulties which inevitably arise when Congress, by legislation, assigns specific quotas to specific countries. Actually, Congress exposes itself to a foreign lobby, and inevitably strong pressure is brought to bear upon us. Decisions are made which are not in conformity with foreign policy or the economic interest of the Nation, but are on the basis of the pressure and influence of particular nations. Then every nation thinks it ought to get more.

Mr. MORTON. I thank the Senator from Illinois.

SUBSIDY PRICE PAID TO FOREIGN PRODUCERS IN HOUSE BILL

Mr. DOUGLAS. Mr. President, in addition to the quotas allotted to specific countries, the old system was retained by the House on price. We were to pay to the foreign producers the domestic price minus freight and minus tariff, or approximately 5.5 cents a pound, whereas the world price is 2.7; or pay them a bonus of 2.8 cents a pound or $56 a ton. On the basis of $56 a ton, the annual subsidies would be as follows, according to the quotas which were assigned to the respective countries.

Mexico, $19,600,000.

The Philippine quota cannot be changed because of treaty, and the price will not be altered.

Peru, $19.6 million.

India, $7,280,000. That should give us pause after the remarks of Mr. Krishna Menon and Prime Minister Nehru made the other day.

Mauritius, $6,160,000.

British Honduras, $560,000.

The Fijis, $560,000.

Brazil, $19 million.

Colombia, $1.96 million.

South Africa, $6,700,000.

The Dominican Republic, $19.6 million. Oh, yes. There is another provision in the House bill with respect to the Dominican Republic which needs to be stated. When President Eisenhower, in 1960, shut off the importation of sugar from Cuba, he very wisely provided that the subsidy should not be paid on the sugar imported from Santo Domingo.

We all know that the sugar industry, with the exception of one American company in Santo Domingo, had been taken over by Trujillo and his family. So President Eisenhower was correct in stopping the subsidy payments to Santo Domingo and cutting down the amounts which would have gone to the Trujillo family.

When the importation was resumed during the last year, we paid the Santo Domingo producers the same amount as we paid to other foreign producers. But the Santo Domingo producers—largely the Government plus an American company—has filed a claim for $22 million, saying that they should receive the subsidies which we did not pay during the interregnum when we paid at the world price and not at the domestic price. That case is before the courts.

But the House took the case out of the courts and provided in the bill itself a payment of $22 million to these people. So in addition to the subsidy of almost $20 million on price, there was in the House bill an additional subsidy to the Dominican Republic producers of $22 million.

The subsidy on price to Australia is $11,200,000.

Nicaragua, $1,600,000.

Haiti, $1,400,000.

The British West Indies is, I believe, in the Commonwealth sugar agreement and gets a subsidized price from the British Commonwealth. But we are to pay the British West Indies a subsidy on their additional production of $19.6 million. We would pay them more than the British Commonwealth is paying them.

French West Indies, $2,250,000.

Costa Rica, $1,600,000.

Republic of China and Hong Kong—just short of $11 million. This well confirms the statement of the Senator from Kentucky [Mr. MORTON] concerning the distance that this sugar would have to travel.

Ecuador, $1,600,000.

Guatemala, $1,120,000.

Argentina, $1,120,000.

Panama, $840,000.

El Salvador, $560,000.

Paraguay—I think Paraguay is the last dictatorship in South America—$560,000.

The Netherlands, $560,000.

I ask unanimous consent to insert a table giving the quotas for 1961 and in the House and Senate bills in 1962. For 1961 and the House bill of 1962, except for the Philippines, these represent the amounts distributed from the former Cuban quota at a subsidized price of $50 to $56 a ton.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Comparison between final foreign country sugar quotas and reallocations for 1961 and those proposed in H.R. 12154

Country	1961			Proposed in H.R. 12154			Senate version of H.R. 12154
	Quota	Reallocation from Cuban quota	Total	Quota	Reallocation from Cuban quota	Total	
Cuba	[1] 3,297,195			1,500,000			2,575,392
Republic of the Philippines	980,000	490,731	1,470,731	1,050,000	150,000	1,200,000	980,000
Peru	121,507	514,870	636,377	200,000	150,000	350,000	108,117
Dominican Republic	111,157	222,723	333,880	200,000	150,000	350,000	95,943
Mexico	95,409	589,591	685,000	200,000	150,000	350,000	79,711
Nicaragua	17,471	25,897	43,368	30,000		30,000	15,653
Haiti	8,268	37,005	45,273	25,000		25,000	7,536
Netherlands	4,149	5,851	10,000	10,000		10,000	4,058
Republic of China	3,980	166,048	170,028	45,000	150,000	195,000	4,058
Panama	3,980	6,020	10,000	15,000		15,000	4,058
Costa Rica	3,968	26,282	30,250	30,000		30,000	4,058
Canada	631	1,266	1,897				631
United Kingdom	516	1,034	1,550				516
Belgium	182	1,453	1,635				182
Hong Kong	3	27	30				3
British West Indies	84	265,923	266,007	100,000	150,000	250,000	84
El Salvador		12,000	12,000	10,000		10,000	
Guatemala		17,000	17,000	20,000		20,000	
Brazil		306,474	306,474	190,000	150,000	340,000	Reserve
Ecuador		36,000	36,000	30,000		30,000	10,000
Colombia		46,000	46,000	35,000		35,000	
French West Indies		75,000	75,000	40,000		40,000	
Australia		90,000	90,000	50,000	150,000	200,000	
Paraguay		5,000	5,000	10,000		10,000	
India		175,000	175,000	30,000	100,000	130,000	
South Africa				20,000	100,000	120,000	
Mauritius				10,000	100,000	110,000	
Argentina				20,000		20,000	
British Honduras				10,000		10,000	
Fiji Islands				10,000		10,000	
Total	1,351,305	3,117,195	4,468,500	2,390,000	1,500,000	3,890,000	[2] 1,314,608

[1] Quantity provided for by formula quota of zero determined by President.
[2] Total, excluding Cuba.

SUBSIDY GOES TO LIMITED NUMBER OF PEOPLE

Mr. DOUGLAS. So these sums are truly enormous, and they are paid by the American consumer. To whom does the money go? In most of the countries, the land tends to be tightly held. This is not true of Mexico. I believe it is not true of Costa Rica. But it is true that in most of the countries the sugar acreage is primarily in a limited number of hands. The sugar milling is still further restricted in its ownership and control. Thus the subsidies go to a relatively small group of people. Some of them are Americans, and I have no charges to level against these American industries abroad. I think that in Peru, the Grace Co. has probably been the leader in improving the living and working conditions of its employees.

But I think everyone knows that throughout Latin America one of the great faults is the concentration of land holdings and the fact that the peons or peasants who work in the fields do not get very much of this total amount. In the majority of cases, the money does not seep down to the workers. Of course, in some cases it does. This means that because of our sugar policy, the American consumer and the hard working American families, have been subsidizing a relatively small group of rich landowners.

Mr. PROXMIRE. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield to the Senator from Wisconsin for a question.

Mr. PROXMIRE. When the Senator from Illinois speaks of a few hands or a few people controlling the sugar plantations, is it not true that he is taking about a tiny fraction of 1 percent of the population?

Mr. DOUGLAS. Yes, that is true.

Mr. PROXMIRE. Is it not true that the profits of the sugar plantations are in many cases very high?

Mr. DOUGLAS. That is my understanding. It has been hard to get the figures, but that is my understanding.

Mr. PROXMIRE. Is it not also true in many cases that the wages are among the lowest paid anywhere in the world?

Mr. DOUGLAS. The wages are low. I have prepared a table giving statistics on these points. I asked the State Department some months ago to gather this information, and I believe it to be approximately accurate.

Mr. President, I ask unanimous consent that the information be printed at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Foreign sugar production statistics [1]

Country	Sugar acreage (1)	Percentage of land in 10 largest holdings (2)	Percentage of acreage in U.S. ownership (3)	Mills (number) (4)	Percentage of production in 10 largest mills (5)	Percentage of mill capacity in U.S. ownership (6)	Field hand daily wages (7)
Peru	165,500	(a) Largest, 29 percent; (b) 1st 10, 98 percent.	23 percent	14	(a) Largest, 26 percent; (b) 1st 10. 98 percent,	26 percent	1959, $1.20 to $1.80; 1960, $1.35 to $2; 1961, $1.50 to $2.25.
Haiti	80,000	(a) Largest, 6 percent; (b) 1st 10, 6 percent.	6 percent	3	(a) Largest, 84 percent; (b) 1st 10, 92 percent.	84 percent	1961, 81 cents.
Costa Rica	81,526	(a) Largest, not available; (b) 1st 10, not available.	Very small	33	(a) Largest, 9.7 percent; (b) 1st 10, 61.7 percent.	None	1959, $1.13; 1960, $1.13; 1961, $1.13.
Dominican Republic	466,000	(a) Largest, 55 percent; (b) 1st 10.	20 percent	16	(a) Largest, 60 percent; (b) 1st 10, 100 percent.	32 percent	1959, $1; 1960, $1; 1961, $2.
Republic of China	225,000	(a) Largest, 30 percent; (b) 1st 10.	None	27	(a) Largest, 100 percent; (b) 1st 10.	None	1959, 78 cents; 1960, 98 cents 1961, 98 cents.
Mexico	790,000	See addendum	do	71	(a) Largest, 10.6 percent; (b) 1st 10, 50.2 percent.	do	1959, 96 cents to $1.60; 1960, 96 cents to $1.60; 1961, 96 cents to $1.60.
Nicaragua	56,000	(a) Largest, 24 percent; (b) 1st 10, 49 percent.	6 percent	7 3	(a) Largest, 61 percent; (b) 1st 10, 85 percent.	6 percent	1959, $1.42; 1960, $1.70; 1961, $2.13.
Panama	43,000	(a) Largest, 7 percent; (b) 1st 10 percent.	None	26	(a) Largest, 52 percent; (b) 1st 10, 100 percent.	None	1959, $1 to $1.25; 1961, $1.60 to $1.70.
Philippines	616,016		Very small		(a) Largest, 11.67 percent; (b) 1st 10, 68.14 percent.	See addendum	1959, 95 cents; 1960, 84 cents; 1961, 91 cents.
Brazil	3,250,000	(a) Largest, 1.2 percent; (b) 1st 10, 6.5 percent.	None	302	Largest, 2.2 percent; 1st 10, 16 percent.		1959, $1.05; 1960, $1.67; 1962, $1.51
Argentina	537,500		Small if any	36	Largest, 16 percent; 1st 10, 75 percent.	Small if any	1959, $1.47; 1960, $1.46; 1961, $1.97.
Ecuador	48,370	(a) Largest, 45.8 percent; (b) 1st 3, 100 percent.		4	Largest, 53.5 percent		1959, $1.45; 1960, $1.45; 1961, $1.21.
Guatemala	75,000	(a) Largest, 3.3 percent; (b) 1st 10, 19.8 percent.	Very small	10	Not available	Very small	1959, 80 cents; 1960, 80 cents; 1961, 80 cents.
British West Indies: Barbados	60,000	(a) Largest, 3.5 percent; (b) 1st 3. 9.4 percent.		16	Largest, 8.5 percent; 1st 10, 67 percent.		1959, $2.25; 1960, $2.46; 1961, $2.70.
Trinidad	95,000	(a) Largest, 33.7 percent; (b) 1st 3, 55.9 percent; (c) peasants, 44.3 percent.		6	Largest, 42 percent		1959, $1.72; 1960, $2; 1961, $2.17.
Jamaica	202,000	(a) Largest, 13.4 percent; (b) 1st 10, 47 percent.	4.4	18	Largest, 19.2 percent; 1st 10, 78 percent.	4.4	Not available.

[1] Source: U.S. State Department, at request of Senator Douglas.

ADDENDUM

PERU

2. Ten largest holdings in percent: 29, 12, 11, 11, 10, 7, 7, 5, 5, 1.

3. U.S. acreage: 18 percent: [1] W. R. Grace, two haciendas; 5 percent: Nepena SA, one hacienda (now 54 percent United States, being reorganized to 77 percent United States, principally Transoceanic-AOFC, J. Henry Schroder Banking Corp., and Wood Struthers group.

5. Ten largest mills in percent: 26, 14, 11, 11, 11, 7, 7, 5, 5, 1.

6. U.S. mills: 21 percent: [1] W. R. Grace, two mills (processes for others; Grace share 16.5 percent of total); 5 percent: Nepena SA, one mill.

7. American company reports average daily wage at $3 including overtime and fringe benefits.

HAITI

2. and 3. American firm, Hasco, owns 5,000 acres and leases an additional 5,000 acres. Remainder held by small growers.

5. Largest mills: 84 percent, Hasco; 14 percent, Dessalines; 2 percent, Larve.

6. Hasco entirely U.S. owned; Dessalines owned by Haitian Government; Larve reportedly not Haitian owned.

7. Hasco pays canecutters US$0.50 per ton; average hourly earnings US$0.09.

COSTA RICA

2. Data not available. Agricultural census of 1955 (latest) reported that of 13,384 farms showing cane production, 21 had 170 acres or more of cane.

3. No U.S. citizen ownership of large acreage.

5. Ten largest mills in percent: 9.7, 8.7, 8.4, 7.3, 5.4, 4.7, 4.5, 4.5, 4.5, 4.

7. Legal minimum wage is 7.50 colones per 8-hour day.

DOMINICAN REPUBLIC

2. and 3. Largest acreage: 55 percent, Azucarera Haina (Government owned); 20 percent, La Romana (United States-South Puerto Rico Sugar Co.); 5 percent, Vicini; 20 percent, independent growers.

5. Largest mills: 60 percent, Azucarera (12 mills); 32 percent, La Romana (1 mill); 8 percent, Vicini (3 mills).

6. La Romana owned entirely by South Puerto Rico Sugar Co.

REPUBLIC OF CHINA

2. Government-owned Taiwan Sugar Corp. is sole sugar producer with 30 percent of acreage; balance is owned by private farmers under contract to TSC.

5. All TSC; 29 private mills produce 21,000 tons noncentrifugal brown sugar included in international sugar conference considerations.

7. NT$31 per day and NT$39 per day for 1959, 1960, and 1961, respectively.

PHILIPPINES

1. Centrifugal sugar	542,706
Noncentrifugal sugar	73,310
Total	616,016

	Percent of Total	Percent United States
5. and 6. Factory:		
Victorias	11.67	40.33
Binalbogan Isabela	11.56	----------
La Carlota	7.22	----------
Hawaiian-Philippine	6.28	97.00
Bacolod-Murcia	5.87	----------
Pasudeco	5.63	----------
Talisay-Silay	5.36	----------
Macao	4.95	6.00
Tarlac	4.81	10.00
Del Carmen	4.79	----------
Total	68.14	----------

7. Daily minimum is 2.5 pesos (1 peso equals 36 cents) actual payments range from 1.8 to 2.8 pesos, with a few piece-rate cutters earning 5 pesos.

	Pesos
1959	1.80–1.90
1960	2.00–2.10

Export exchange rate used in conversion.

PANAMA

2. The two largest mills own 7 and 3 percent, respectively; acreage owned by remaining eight largest producers is unavailable.

4. Two mills producing; one mill shut down.

5. Two producing mills refine 52 and 48 percent, respectively, of total sugar production.

NICARAGUA

1. 1961–62 acreage increased 17,375 acres over 1960–61.

2. Landownership:

	Percent	Percent United States
Nicaraguan Sugar Estates	24	25
Somoza family	14	----------
El Polvon group	5	----------
Lacayo Montealegre	3	----------
Ingenio Amalia	2	----------
Domingo Rivas	1	----------
Remainder held by small growers.		

5. Centrifugal sugar mill production:

	Percent
Nicaraguan Sugar Estates	61
Somoza mills (3)	27
Lacayo Montealegre	8
Amalia	3
Monte Libano	½

7. Export exchange rate used (1 córdoba equals 1.24 cents):

	Without meals
1959	10
1960	12
1961	15

MEXICO

2. According to the Agrarian Reform Code and article 27 of the Mexican Constitution, the largest private holdings in excess of 300 hectares (741 acres) is subject to expropriation if claimed legally; virtually all of the large sugarcane holdings have been expropriated.

A 1961 study showed that 66 percent of the total production came from farms with less

[1] See testimony of W. R. Grace Co. representatives for their comment on these figures.

than 7 acres planted; the average holding for cane growers is less than 10 acres.

5. Mill	State	Production (tons)	Percent total
San Cristobal	Veracruz	146,252	10.6
E. Zapata	Morelos	76,085	5.5
El Mante	Tamaulipas	70,814	5.1
Xicotencatl	Tamaulipas	66,641	4.8
El Potrero	Veracruz	62,541	4.5
Los Mochis	Sinaloa	62,484	4.5
Rosales	Sinaloa	56,047	4.0
Independencia	Veracruz	55,909	4.0
Atencingo	Puebla	55,245	4.0
Tamazula	Jalisco	44,619	3.2
Total for mills		696,637	50.2
Total for country		1,387,794	100.0

BRAZIL

Item 2. Ten largest holdings in percent: 1.2, 0.8, 0.7, 0.7, 0.7, 0.6, 0.6, 0.4, 0.4, 0.4.

Item 5. Ten largest mills in percent: 2.2, 1.8, 1.8, 1.7, 1.6, 1.6, 1.5, 1.3, 1.3, 1.2.

ARGENTINA

Sugar production (1958)

	Percent
2. Ledesma	5.6
San Martin	5.1
La Esperanza	3.9
Bella Vista	2.6
Concepción	2.1
Rió Grande	1.8
Las Palmas	1.5
Mercedes	1.5
San Pablo	1.4
Los Ralos	1.3
Total	26.8
5. Concepción	8.6
Ledesma	7.1
La Esperanza	5.2
San Martin	5.1
Bella Vista	4.4
La Trinidad	3.7
La Florida	3.3
San Pablo	3.3
San Ana	3.3
Los Ralos	2.9
Total	46.9

ECUADOR

1. Total area in sugarcane is 111,195 acres, of which only 48,370 acres are devoted to sugar production. Remainder planted in panela and aguardiente for domestic consumption.

2. Commercial sugarcane producers:

	Percent
San Carlos	45.81
Azucarera Valdez, S.A.	51.07
La Familiar	3.12

4. The three sugar enterprises operate their own mills.

5. Mill production:

	Percent
San Carlos	53.51
Valdez	43.45
La Familiar	3.04

GUATEMALA

	Percent
2. Pantaleon	3.27
El Baul	2.54
Los Tarros	2.30
San Victor	2.30
Los Cerritos	2.07
El Salto	1.92
Concepcion	1.73
Torolita	1.38
Tulula	1.27
Velasquez	.98
Total	19.8

6. Only known citizenship is in El Salto in which Dorion family owns more than 50 percent and John Armstrong a small holding.

BARBADOS

2. Two largest each hold 3.5 percent and third holds 2.4 percent of acreage.

5. Largest mills, in percent: 8.45, 7.17, 6.81, 6.67, 6.55, 6.48, 6.41, 6.34, 6.32, 5.82.

TRINIDAD

	Percent
2. Caroni, Ltd	33.7
Ste. Madeline Sugar Co	17.2
Trinidad Sugar	4.0
Forres Park, Ltd	.8
Peasants Farmers	44.3
5. Brechin Castle	42.18
Ste. Madeline	30.14
Woodford Lodge	11.85
Orange Grove	6.52
Reform	5.26
Forres Park	4.05

KINGSTON

2. Proportion of Cane Corp.:

	Percent
West Indies Sugar Co., 2 largest	22.5
U.S. Mill/Estate, Bernard Lodge	4.4

Other 7 average between 2 and 3.2 percent.

5. WISCO's two largest, 34.1 percent; three produced, 6.7 percent; four produced, 5.0 percent; one produced, 3.8 percent.

Mr. DOUGLAS. Mr. President, in Haiti, according to the State Departmene, the daily wage of a field hand is 81 cents. That does not necessarily apply to all companies but is the country average.

Mr. PROXMIRE. Is it not true, in view of this situation, that this is possibly the worst way to provide foreign assistance or to provide assistance to the economy or the people of Latin American countries?

Mr. DOUGLAS. I quite agree. This is a pouring in of money at the top to a relatively small group of wealthy people. It is the wrong way to give foreign aid.

Mr. PROXMIRE. Is it not true that this action is in direct contradiction of the basis and principle of the Alliance for Progress? As I understand, the Alliance for Progress is designed to help all the people of those countries by building a broad economic base, so that there will be a real basis for resistance to communism.

Mr. DOUGLAS. That is correct. As I understand, the purpose of the Alliance for Progress is to build up the productivity and prosperity of the great masses of people at the bottom of the economic and social structure. The House bill provides the reverse.

Mr. PASTORE. Mr. President, will the Senator from Illinois yield?

The PRESIDING OFFICER (Mr. HICKEY in the chair). Does the Senator from Illinois yield to the Senator from Rhode Island?

Mr. DOUGLAS. I am glad to yield for a question.

Mr. PASTORE. Will the Senator from Illinois explain why we have to pay any subsidy at all?

Mr. DOUGLAS. I have wondered about that a great deal, myself; and if this were an ideal world, I should like to strike out the whole thing. But this is a real world; and the power of the beet-sugar producing States and of the cane-sugar producing States is such that although we consumers of sugar form the overwhelming proportion of the population, the interest of the consumers is diffused and is relatively weak; and, after 14 years in this body, I realize that we cannot reform everything at once. So I am starting with the foreign sugar producers, and we are giving the domestic sugar producers 5 years in which to reform. If I am still here at the end of the 5 years, we shall return to the charge.

Mr. PASTORE. I certainly hope the Senator from Illinois will be here then. As a matter of fact, he has my blessing to be here. But in view of the question asked by the Senator from Wisconsin, I should like to ask whether we are doing this because of a scarcity of sugar in this country or in order to promote our foreign policy situation; or just why are we doing it at all?

Mr. DOUGLAS. The scarcity is artificially produced by setting production and import limits. The problem goes back at least 70 years, to the period when the Senators from Louisiana and the Senators from what were then the beet sugar States insisted on a high tariff in order to keep out some Cuban and Caribbean sugar, so that their States could grow cane sugar and beet sugar. Then the industry developed here at home; and they wanted more and more and more; and they have a great deal of political power; and most of them are very charming gentlemen, of course, and are much more adept politically than we who represent the consuming States. So the percentage grown at home has increased through the years.

Mr. PASTORE. When the Senator says "they," is he referring to Americans or to foreigners?

Mr. DOUGLAS. To Americans.

Mr. PASTORE. But I am referring to the subsidy to foreign sugar producers.

Mr. DOUGLAS. This is what we are trying to eliminate, and it is what the bill as reported by the Senate committee would eliminate.

Mr. PASTORE. In other words, the bill as reported by the Senate committee will eliminate the subsidies for the foreign production?

Mr. DOUGLAS. Yes. Very much so.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield to me?

Mr. DOUGLAS. I yield. First, let me say that although the junior Senator from Colorado takes a very progressive view, he always is a very zealous defender of the interests of his own State. So I await with great interest what he will say; but before he says it, I wish to state that I hold him in high esteem.

Mr. CARROLL. I wish to say that I have listened with great interest to the questions propounded by the Senator from Wisconsin and by the Senator from Rhode Island. I wish to ask a hypothetical question, but it will take a little time to lay the foundation.

Mr. DOUGLAS. I hope the Senator from Colorado will not take too much time.

Mr. CARROLL. Is it not true that following the close of World War I, in the early 1920's, the price of sugar to the consumers was not stable? My records shows that during that period there was fluctuation in the price—for example, in 1920 sugar was costing the housewives 10 cents a pound, and then the price rose to 26 cents a pound, and then it declined

to 7 cents a pound—all within a period of 34 months.

Mr. DOUGLAS. That is correct.

Mr. CARROLL. One of the great Senators in this body during that period—he was one of the great, progressive liberals of the Nation, along the line of La Follette and also in the great liberal tradition of the Senator from Illinois—was Senator Edward P. Costigan, of Colorado. At one time he was a member of the Tariff Commission. He was an economist from Harvard University. He had been a Republican and a Bull Mooser; and he was selected by Woodrow Wilson to serve on the Tariff Commission. But when Calvin Coolidge became President, Senator Costigan could not stand the tariff policies of the Coolidge administration, so he resigned, and returned to Colorado. He had a very liberal and progressive Republican background.

As a young man, I helped elect him to the U.S. Senate in 1930. He formulated the concept—and this may be the answer to the question asked by the Senator from Rhode Island—of supply-management control of a farm commodity that needed stabilization. He also originated, back in 1934, the concept of production payments to farmers. The premium price and the subsidy were established because, in the view of that great humanitarian, Senator Costigan, the peasants and the peons of less privileged countries deserved the right to earn a living.

I remember that the Colorado newspapers of that day finally destroyed that great man.

President Roosevelt signed the Costgan-Jones Act in 1934. Now, after all these years, we are enjoying the benefits of the price stability established under that act. I remember the background of that legislation. As a young man, I watched its progress. What has been its result today? After 28 years, it has given us price stability. It is true that the consumer pays more than the world market price——

Mr. DOUGLAS. Yes, $550 million a year more, plus $73 million in production payments, year after year after year.

Mr. CARROLL. On the other hand, in Colorado, which is the second largest sugarbeet producing State, the annual income as a result of this supply-management, production-payment legislation, which has given great stability, is $70 million, from which the Government collects a substantial amount in income taxes.

Mr. DOUGLAS. Oh, it is a fine thing for the areas which produce these crops. But what about the forgotten men and women—the consumers?

Mr. CARROLL. Let me point out that, as the Senator from Illinois knows, he and I agree on almost all matters. But as I listen to his arguments on this bill I am reminded that in connection with one of our great Colorado reclamation projects, he had in mind a geographical area where the water would have had to run uphill. I think the trouble was that he did not understand the nature of the reclamation projects of our area. So, Mr. President, with all due deference to the brilliant speech the Senator from Illinois has made, I do not believe he has really grasped the significance of this program to the consumers of the Nation.

During all these years the price of sugar has remained relatively stable, but this factor is not generally recognized. As I testified before the Senate Finance Committee, when we consider the commodity price index, if we relate the price of sugar to the price of all other foods, we find that in 1938 the price of sugar was 4.38 cents a pound, and in 1961 it was 4.15 cents a pound. So there is stability in the price of sugar. That is why the junior Senator from Tennessee asked a very pertinent question, in my opinion.

The present price stability has developed because the system of supply management and production payments—except for wool, a system not generally applied to other commodities—has resulted in a stable price for the farmer and for the refiner and for the consumer. Of course it is a subsidy system. However, I point out that when we speak of the low world price of sugar, we are speaking of dump sugar. Fifty-seven million tons of sugar are sold in the markets of the world and a fraction is left over for sale to the United States. The price paid for sugar by U.S. consumers under our stability program is less than the price paid in 121 nations of the world. That is shown by the recent report by the F.A.O.

This is very important. It is not generally understood that the American consumer, as a result of the price stabilization program, pays a lower rate than do the consumers in 121 nations of the world. I did not want to take the Senator's time, but I think it is important, as we relate the cost to the American consumer, to consider the stabilizing benefits on the whole economy.

I agree with the able Senator from Illinois that it is a tragedy that the money paid by the American consumer is not getting down in foreign lands to the peasant and the peon who ought to have it.

I do not agree with the committee that we should abandon the premium price to our foreign friends, if I correctly understood the able Senator from Illinois. I do not think that is in keeping with the 30-year-old policy established for 14 certain sugar-producing countries that had small permanent quotas. I do not think it is in keeping with the Alliance for Progress to say we are going to take away from the countries in the Alliance the premium price and suddenly, as the Soviet Union is doing, buy at the world market. I do not think such a policy is good for us morally.

On the other hand, the Senator from Illinois makes a good point. If the benefits are not getting into the hands of the peons, the people who do the work, but, instead, is getting into the hands of the small group of rich men and corporations who hold the land tightly, there ought to be another way to adjust it.

For almost 30 years we tried to help the people of Cuba. It is why we had a premium price. It is why Costigan, Jones, and other men fought for the program. If it was not successful, that is not our fault. If the hard-earned money paid by U.S. taxpayers and U.S. consumers has not been used to improve housing standards of foreign workers—which was a most laudable and worthy purpose—but, instead, has been diverted, I point out that also has happened in other programs.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. May I first reply?

It is true that the price both of raw and refined sugar has been relatively stable over a period of time. That is true, but it is also true that in every year since 1947, with the exception of 1951, that price has been very appreciably above the world price. It has been stable at a high price, so the stability has meant constancy in the toll levied on the American consumer.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. DOUGLAS. Let me take up the points of the Senator in turn.

Mr. CARROLL. Let me just say one thing on the point of the world price. I think I am right in this statement that the United Nations Food and Agriculture Organization recently reported that the average retail price of sugar in the United States—that is, what the consumer pays—was 5 cents a pound below the median price of sugar in 121 foreign nations.

Mr. DOUGLAS. May I reply to that?

Mr. CARROLL. I would like to have the Senator do so.

Mr. DOUGLAS. The truth of the matter is that in virtually every country the price of sugar is rigged against the consumer in substantially the same way as it is rigged in the United States. The truth is that the sugarbeet industry was heavily subsidized in czarist Russia, it was heavily subsidized in the Germany of Kaiser Wilhelm, and it is subsidized now, and heavily subsidized inside the British Empire, and it is subsidized in France. There is some mesmeric influence that the sugar producers and lobbies exercise in every country. I hope the United States can begin to lead the world to a free market.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. PASTORE. Mr. President, will the Senator yield so I may ask a question on this point?

Mr. DOUGLAS. I yield.

Mr. PASTORE. I find no fault with the subsidy program so far as the American consumer is concerned, because I realize the havoc that would be caused if the supply from a foreign country were cut off and we did not have a domestic supply. That question is not important. The Senator from Colorado has said that for 30 years it has been a part of our foreign policy and there is a moral factor involved in our paying this subsidy. He stated the original motive was to help the peons, the small people on the plantations. Now we find the money has not been getting down to

them. If it is not getting to them, why is it not moral to withdraw the money?

Mr. CARROLL. The original purpose of the Costigan-Jones Act was to give stability to our own economy. I can remember some 30 years ago when the great refiners were cutting the big melon and the small farmers in the sugarbeet industry were getting nothing. I can remember when farm families—and I am not talking now about migratory workers, but whole families—would go out and work on the farm for a week, and the refiners squeezed the farmers, who in turn, squeezed the migratory workers. Finally there emerged a Supply Management Act, which stabilized the sugarbeet industry, and provided a regular and decent income to Colorado farmers in northeastern Colorado, the Arkansas River Valley and the western slope around Fruita and Delta.

In 1934 the country was in short supply. We could not grow enough for our own consumers. We arrived at the concept of allocating quotas to the Philippines, Hawaii, Cuba, and our friends in certain underdeveloped countries. We had a concept of a premium price to help those people. That was the concept. It has continued for 28 years.

I commend the Senator from Illinois for his statement. I have not studied this aspect of the problem. I have great confidence in his interpretation and analysis. If he says the money does not go to the people, we ought to take another look at it. I agree with the able Senator from Rhode Island. I am not here as a special pleader merely because I come from the State of Colorado, but we have historical participation in the legislation which has endured for 28 years. It has given us price stability. It may be that the price of sugar in 121 nations is rigged, but we are not confronted here with a theory, but a condition. We have got to do something about preserving a domestic industry.

I remember so well that last year the able Senator from Illinois fought to save $150 million from going into the hands of a few people.

It is my own opinion that we should give flexibility to the President and let him make the proper allocations. It is my information that since we enacted the law the President has paid the premium price to certain foreign countries.

The present proposal is going to create some real problems. We have given allocations to some countries, and now we want to take them away and go to the world price. I leave it to the Senator from Illinois if there has not been testimony before the committee that these nations will be hurt? Can they really produce sugar at 2½ cents a pound and still give a living wage to their people? Was there any testimony along that line?

Mr. DOUGLAS. The Senator from Colorado has asked a number of questions.

Mr. CARROLL. I thank the Senator. I did not mean to interfere with his presentation.

Mr. DOUGLAS. No; I am very glad to have him do so. I would like to reply to some of the questions.

First, I think there is little doubt that, so far as the native landed aristocracy are concerned, they have not passed on any appreciable fraction of these gains to their workers. In the first place, in 1960, when this policy was first adopted and the allocation for Cuban sugar was transferred, what happened was that the sugar was purchased from what was in storage.

This amounted to an outright windfall of probably $150 million to $200 million to those speculators and millowners and dealers who had sugar in storage and who had already incurred their costs.

Since that time, though there has been some improvement in working conditions, every bit of evidence which I can obtain indicates that the full benefits certainly have not been passed on, and in many cases only a slight fraction have been passed on.

So far as the native aristocracy in these countries is concerned, it is a notorious fact that the profits which they make, and the rents which they collect are not reinvested in those countries but are transferred to Europe, generally into numbered and anonymous accounts in Swiss banks. The landed aristocracy of Latin America has apparently lost faith in its own future. Instead of investing money in their own countries, the aristocracy fears that ultimately it will be dispossessed, so its members hide away their money abroad so that when the day comes they can fly to Europe and enjoy life on the French Riviera or other places—and by that very act they make their own fate more certain and endanger democratic institutions and capitalism as we know it throughout Latin America. They bear a very heavy responsibility.

Now this group comes in to plead, "What about the poor peons?" They put the peons forward as an argument. Let us make no mistake about it; it is their own skins they are trying to defend.

Let us divorce the aid program from the sugar bill. I am for the Alliance for Progress. I believe we should have adopted some program such as that years ago. We have neglected Latin America. President Kennedy announced the program after Latin America's needs had been forgotten, and I hope we shall push forward on that program. However, as the Senator from Wisconsin pointed out, the theory of the Alliance for Progress is that we shall build prosperity from the bottom, that we shall help the peons in respect to producing more agriculturally, with a wider distribution of land, better education, better housing, credit unions, building and loan associations, and the rest.

Certainly there is no relationship between the amount poured into the hands of a small group of people at the top and the amount of benefit provided for the workers at the bottom.

Do not let any one convince the Senate of that.

Mr. CARROLL. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. METCALF in the chair). Does the Senator yield?

Mr. DOUGLAS. Yes; I am glad to yield.

Mr. CARROLL. Does not the Senator think it would be far better for us at this time to determine whether it is true that sugar can be produced in these areas at 2½ cents a pound? I am not at all disputing the conclusion of the able Senator from Illinois, but does not the Senator think it would be wise for us to investigate the question of going into the world market and buying sugar at a cost of 2½ cents a pound?

Mr. DOUGLAS. In the first place, the world price is 2.7 cents a pound. In the second place, if the United States were to buy large quantities of course the world price would rise.

We are not asking that the difference between the present world price of 2.7 cents and the domestic price be recaptured to the Treasury. We are merely asking that the difference between the world price, whatever it may be, and the domestic price be recaptured to the Treasury. If the world price should rise, as I think it would somewhat, the amount to be recaptured by the Treasury would diminish by that amount.

Mr. CARROLL. It is my information that when we talk about the world price we are talking about dump sugar, which is about 5 million tons and which has no relationship to about 57 million tons in these countries of which we have spoken.

The real point I make is this: Is it a wise policy, after we have followed another policy for so many years, to buy on the world market? What would we do to the people who produce sugar?

I am mindful of the able Senator's comment. Would it not be better to find some way of benefiting the people if we can?

Mr. DOUGLAS. I hope we can do that through the Alliance for Progress.

Mr. CARROLL. Would the Senator have the Alliance for Progress go into the sugar program in this fashion?

Mr. DOUGLAS. No. The Alliance for Progress ought to go into the economic situation in the various countries and help the people at the lowest part of the economic scale.

Mr. CARROLL. I was under the impression that in some of these countries the sugar industry is a very important part of the economy, for the workers.

Mr. DOUGLAS. Naturally.

The Senator from Colorado is an exponent of the historic democratic doctrine that the way to build prosperity inside the United States is from the bottom up rather than from the top down.

Mr. CARROLL. The Senator refers to the "trickle down" theory.

Mr. DOUGLAS. That is correct, the "trickle down" theory. It happens that, so far as the sugar program is concerned, we have adopted the "trickle down" theory abroad. I believe we should adopt the theory of building up from the bottom abroad as well as at home.

Mr. CARROLL. I say to the able Senator from Illinois, that was not the basic philosophical concept of Senator Costigan when he created the Sugar Act. That great Senate leader was seeking to help the people in the lower portion of the economic scale. He had the same concept of building from the bottom up. If this program has failed, there should

be another way to accomplish the desired result.

Mr. DOUGLAS. The program certainly has failed. The other way is through the Alliance for Progress.

Mr. CARROLL. I agree with that program.

Mr. DOUGLAS. The long list of other countries in the House bill did not receive a quota at a $56 a ton subsidy until after Castro came to power in Cuba. There was no provision for any country other than Cuba until after we broke relations with Castro, with some minor exceptions. These additional countries have no vested right to our largess at $56 a ton subsidy. And they have been told that time and time again.

There were political reasons why we adopted the program with respect to Cuba. In a war with Spain we had conquered Cuba and we felt it was necessary to give some protection to Cuba even though it was outside the American Nation, exactly as we felt it necessary to give some protection to the Philippines.

The Philippines would be unaffected by my amendment now, in the Senate bill, because the price of sugar is regulated by treaty with that country. The amendment in the Senate bill would cover the Cuban quota, which is to be distributed, plus a gradual tapering off on some 325,000 tons which go to other Latin American countries.

Mr. CARROLL. I agree with the Senator from Illinois, as I agree with the Senator from Wisconsin, that we should not put the money into the hands of a few people who are rich. It seems to me, with respect to the question of going into the world market, considering the testimony given before the committee, we are now asked to say, "We place the stamp of approval on production of sugar at 2.5 or 2.7 cents a pound." This alarms me.

Mr. DOUGLAS. I say that we should go to the world market, to the free market. As we increase the demand for foreign sugar, the price in the world market naturally will rise.

There is now no shortage of sugar. Almost every country which appeared before us claimed it had a surplus of sugar. There are probably 10 million tons of sugar in storage at the present time. That seems to be the world figure. There is a world surplus which we could get, not merely the 10 million tons sold but also the 10 million tons in storage.

Mr. CARROLL. One of the reasons I rose to comment on the Senator's brilliant presentation is that I knew the underlying philosophy of the Costigan-Jones bill. Senator Costigan was a great man and a great thinker. I know he was not in the hands of the sugar industry, or the refiners.

Mr. DOUGLAS. I know that.

Mr. CARROLL. He was really thinking not only of the farmers of America but also of the farmers of other nations, whom he was trying to help.

Mr. DOUGLAS. Senator Costigan was a great man. One of the many fine things the Senator from Colorado has done has been his support of Senator Costigan.

The Senator will remember that the Costigan-Jones bill was introduced at about the time of the NRA. It was really an application of the principles of the Agricultural Adjustment Act and the National Recovery Act to sugar.

I wish to credit Senator Costigan with the best of motives. There were peculiar conditions so far as Cuba was concerned, and also his own area in the mountain district. I think it was found that the NRA was an economic mistake. It resulted in a reduction in output and the maintenance of prices above a competitive level, and if it had been continued it would have permanently shackled American industry. I personally welcomed the decision of the U.S. Supreme Court at the time. I had a very minor share in the administration of the NRA for a few months and came to that conclusion while I was connected with it.

Mr. CARROLL. Will the Senator yield for one further observation?

Mr. DOUGLAS. I yield.

Mr. CARROLL. Some 27 or 28 years ago, when I used to observe the debate from the Senate gallery, I discussed the National Recovery Act with Senator Costigan. It was his opinion that the National Recovery Act was unconstitutional. I do not think he had any idea of linking the principle of the Jones-Costigan Sugar Act with the National Recovery Act, because he was not a believer in the National Recovery Act. That was before the Supreme Court decision in the National Recovery Act case. As a young man I well remember consulting with Senator Costigan. I was about to go to work for the NRA. Senator Costigan said to me, "John, if I were you, I would go home and sleep on it before you accept the position. I think the National Recovery Act is unconstitutional."

I returned to Colorado. So I do not want to leave the impression that Senator Costigan attempted to relate the Sugar Act in any way to the National Recovery Act.

Mr. DOUGLAS. He may not have done so consciously, but it was built in the same pattern of restriction of production in order to maintain price.

HOUSE BILL MAKES CHANGE IN CUBA MORE DIFFICULT

Mr. President, I should like to point out that if the House bill were to become law and we were to assign definite quotas, whether permanent or temporary, to individual countries, it would be very difficult for us ever to get Cuba back into the family of democratic nations. In the first place, the House bill would cut the so-called permanent quota of Cuba from 2½ to 1½ million tons. Prior to 1960 Cuba sent us more than 3 million tons. That reduction would inevitably be used by the Cuban Communists to support the argument that Cuba had nothing to hope for by throwing off Castro.

Furthermore, by building up quotas in other countries, we would give those other countries a vested interest in keeping Castro in power, because if Castro were to be ousted, they would lose their temporary quota. Therefore they would have a vested interest in seeing that Castro was not ousted. While there might be some whose patriotism would surmount their pocketbook, on the whole the pocketbook would be extremely strong, and we would at least dampen the anti-Communist, anti-Castro movement in the various countries.

SENATE BILL SAVES $150 TO $160 MILLION A YEAR

I am happy that the Senate committee adopted the administration plan which I urged last year and which is also the plan advocated by the Senator from Louisiana. At long last we have the principle that American importers will buy sugar at the world price so far as foreign imports are concerned. The Government would collect the difference between the domestic price and the foreign price plus freight and tariff, or $56 a ton more than would otherwise be the case. It would receive about $145 million a year from what was formerly the 2½ million ton Cuban quota. It would receive about $4 million a year in the first year, rising to $17 million in the fifth year, from tapering off the premium paid for 330,000 tons to Latin American countries, other than Cuba, which had previous quotas. It would ultimately, therefore, save from $150 million to $160 million a year for 5 years, which comes to $750 million or $800 million.

SENATE BILL WOULD HELP BALANCE OF PAYMENTS

One of the great problems before us is the adverse balance of payments. Our balance of payments is adverse to us to the extent of between $3 billion and $4 billion a year. That is not an adverse balance of trade but an adverse balance of payments. By the imposition of the tariff, returning the surplus price to the Treasury, we would decrease the adverse balance of payments by $150 to $160 million a year. That is important. Every $150 million counts. We are not strong enough to throw $150 million a year out the window. The Senate bill would not only help our financing, which is difficult enough at best, but it would also help our balance of payments. I believe it would also help our foreign relations, because there would not be so much pulling and hauling to get in under the favored-country plan, which I think is degrading to foreign countries, and exposes us to a great deal of pressure, which is not very beneficial.

So from every standpoint I think the proposal is a wise move. There are certain other features of the bill with which I am not in complete agreement, but I am willing to postpone these questions to another day and another year. I will let public opinion in the future decide them. I hope we hold fast to those basic principles.

SENATE SHOULD NOT YIELD TO HOUSE

I warn the country what Senators are very well aware of. If we pass the bill in its present form and it goes to conference, we shall be engaged in a terrific struggle with the conferees of the House. Twice the House has put us in a bind, sending to the Senate at the last minute a bill and insisting that we must take its bill or have no bill. I hope that the conferees, whoever they may be, will go armed with a determination never to

yield, and with a firm resolve on the part of the Senate to support them if they do not give an inch.

If by any chance the conferees should compromise and come back to the Senate, I think it would be better to have no bill at all. The present law expires at midnight on Saturday. If surrender is the only way we can get a bill, I say, "Do not surrender. Let us do without a bill." In the process the American consumer would be helped. Possibly there might be some pressures from the domestic producers to obtain passage of the Senate bill.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. LONG of Louisiana. The Senator knows, does he not, that the major difference between the House bill and the Senate bill is the provision requiring that the difference between the import price and the world price go into the Treasury, where it can be paid back out as though it were a part of the foreign aid program? The Senator from Louisiana supported the position that the Senator from Illinois stated when the sugar bill was previously before the Senate.

Mr. DOUGLAS. The Senator is correct.

Mr. LONG of Louisiana. The Senator from Louisiana not only voted for that position, but he made a speech for it.

Mr. DOUGLAS. The Senator is correct.

Mr. LONG of Louisiana. The Senator knows I am sincere with him on that point.

Mr. DOUGLAS. The Senator from Louisiana is always sincere.

Mr. LONG of Louisiana. The Senator gives me more than I claim for myself.

Mr. DOUGLAS. No; I state only the exact truth.

Mr. LONG of Louisiana. I hope the Senator realizes that it is important to some of us who come from sugar-producing States that we have a sugar bill. We are confronted with a more difficult problem against the House conferees than is the Senator from Illinois, who comes from a State in which it is not particularly important whether there be a sugar bill or not.

Mr. DOUGLAS. I hope the statement of the Senator from Louisiana will not be interpreted in the other body as a sign that the Senator is hoisting the white flag. I do not think he is hoisting a white flag. I can say without undue self-praise that there are a good many Senators on this side of the aisle, and I believe some on the other side of the aisle, who will not hoist the white flag, but who will oppose to the death any bill which comes back with a big subsidy to foreign producers.

Mr. LONG of Louisiana. Mr. President, I wish to assure my good friend from Illinois that I am not hoisting any white flag, but I do not propose to go to conference on the basis on which the two Appropriations Committees are now talking, namely, that either one House will do what the other House wants or there will be no conference. In conferences, if one side goes in determined not to yield on any point whatever, the result is often a deadlock, in which no agreement can be reached. The Senator knows about the difficulties we are having with the two Appropriations Committees. The Small Business Administration cannot make a loan, for example, because of that difficulty. We are also in danger, because of that difficulty, of having Federal employees not being able to draw their pay on payday. That is because of what I believe to be an arbitrary position. It can be contended on the House side that its position is not arbitrary, although I disagree with that.

I hope the Senator realizes that in going to conference on as much difference as there is on this point, as well as on others, we might as well not ask for a conference if we are to go into conference with the firm determination not to consider the other point of view.

Mr. DOUGLAS. I say to the Senator from Louisiana that there may be some other features of the bill on which a compromise could be reached. However, we surrendered to the House in 1960, and we surrendered to it in 1961. It is time now for the House to yield to us. That would be a fair compromise. We cannot surrender year after year. There must be some meeting of minds.

Mr. LONG of Louisiana. I hope the Senator from Illinois realizes that we did not surrender to the House on this point last year. Last year on this issue we lost on the floor of the Senate. One of the reasons we lost was that the President came out against us on this issue. The Senator knows that the President's supporters stated that they would vote against the position the Senator is taking because the President felt that that position should not prevail. We have the President's support on our side in conference this year. We will have that provision in conference this year. Last year it was not even in conference.

Mr. DOUGLAS. We have not passed it yet. The shadow of the conference committee was heavy upon us as we debated it last year.

Mr. President, I yield the floor.

Mr. PROXMIRE. Mr. President, first I wish to congratulate the distinguished Senator from Illinois, who has just yielded the floor and deserves a great deal more credit, perhaps, more than any other Member of the Senate on one vital phase of this bill. Under this bill, we are going to put in the Treasury $145 to $150 million which had previously been a subsidy for foreign producers. The taxpayers will gain that $150 million. That is one of the many magnificent contributions the Senator from Illinois has made, and I warmly commend him for this achievement. It is the achievement of the Committee on Finance, also, of course, and I hope it will be the achievement of the Senate and the House also.

I also wish to emphasize my intention to join the forces of the Senator from Illinois, if the conference report should come back yielding to the position taken by the House.

The sugar bill passed by the House could be the greatest victory for the Communists in Latin America since the Bay of Pigs.

By dividing up the former Cuban sugar quota on an earmarked basis among a large number of Latin American nations, the House-passed sugar bill would virtually cement the Castro regime in power.

Sugar is the backbone of the Cuban economy. The key question we face in Latin America is: How can Cuba be freed of the Castro regime and brought back to the family of free nations?

If the former Cuban quota is divided up among a number of countries, this will establish a powerful, subsidized vested interest up and down the Western Hemisphere in favor of keeping Castro in power.

The sugar operators who would benefit from these subsidized quotas would have strong financial inducement to maintain the status quo in Cuba, knowing that a new, democratic Cuban government would cost them millions of dollars.

Under the House bill over half Cuba's former share of the U.S. market would be allotted permanently to other countries. Some 1.5 million tons of the Cuban quota would be divided up temporarily among a favored list of countries, six of them in Latin America. This temporary arrangement would provide an especially strong incentive for maintaining the Castro regime in power.

When the Sugar Act was first passed, Cuba supplied 98 percent of America's needs. We had a close trading arrangement with Cuba, in which our agricultural and manufacturing output was in effect exchanged for Cuban sugar.

The most important helping hand that the United States can hold out to the people of Cuba is to make sure that this mutually beneficial sugar arrangement can be reestablished overnight when the Castro regime is deposed.

The administration sugar bill, as reported by the Senate Finance Committee, sets aside nearly all the former Cuban quota and provides that it be filled by any friendly producing country on a sound, efficient, first-come, first-served basis. This would strengthen the world sugar market and would make it possible to reestablish the Cuban sugar quota on that happy day when the Castro regime is ousted.

The House bill on the other hand picks and chooses among our allies—with no apparent reason except on the basis of extensive, well-financed lobbying—and establishes new quotas with most of the former sugar quota.

By so doing it provides a powerful economic incentive for those countries to discourage opposition to Castroism in Cuba.

So we see that the House-passed sugar bill would virtually cement the Castro regime into power. In addition it creates new enemies of those countries whose demands for a quota were not met, and will not satisfy for long even those countries which received generous treatment.

The bill is discriminatory to our general commercial policy of eliminating preferences and opening our trade to all countries on the widest base possible. Let us examine the differences between

it and the Senate bill, which has the cosponsorship of 36 of my colleagues.

The administration bill adopted by the Senate Finance Committee has proposed that an import fee be levied on all sugar entering the United States from foreign nations other than the Philippines—with which we have special treaty arrangements—which would equalize the difference between world market prices and the higher U.S. price. We have extended the benefits of our price support system for sugar to other countries for many years. We do not do this with other farm products—we could not afford to. We have done it in sugar for special reasons—when the Sugar Act was first passed, Cuba supplied 98 percent of our requirements, and we had a close trading arrangement with that country. In effect, Cuba bought our agricultural surpluses, at our price, and we bought her sugar. Other countries' quotas, based on their historic share of our market, were so small that it cost us little to extend to them the same benefits which we gave to Cuba. The situation is different today.

Cuba is no longer our sugar source, so we must look for our supplies elsewhere; and we must do it on such a basis that when Cuba returns to the free world she will be able to compete on an even basis with the other sugar producers of the world. This we cannot do if we continue to pay a premium of some $56 a ton on the sugar which we import.

The administration bill provides that these subsidies be eliminated gradually for those countries, other than Cuba, which have basic quotas under the act and have geared their production in some measure to the U.S. market. The subsidy on these basic quotas would be phased out over a 5-year period, to allow countries to adjust production downward, if that is necessary, and to enable them to turn their land into crops for which they are better suited. They have benefited from our price support for sugar for many years, but their total benefits, in the year just prior to the defection of Cuba, amounted to only $13 million. This is not a large amount in terms of their total foreign trade, and they should suffer little injury. In fact, many of them will obtain a larger market in this country under the administration's proposals than they have ever had.

The Senate bill also provides that Cuba's former share of the market be placed in a "global" quota, which could be filled by any friendly country on a first-come, first-served basis. This would provide a new market of over 2.5 billion tons to countries which are able to produce sugar economically, and would not encourage overproduction in countries which can only produce if they are sure of obtaining a subsidized premium price, as would the House bill. In effect, we would be enlarging the world market by almost a third. With demand increased by one-third, prices should advance on the world market, to the benefit of all sugar producing countries.

Let's look at the situation from a financial standpoint. In 1961 we imported sugar from 20 foreign countries, and we paid them a total of over $200 million in excess of the world market price. This was gold going out of our own Treasury. A part of it came back, it is true, as they purchased goods from us. But at the present moment we have a serious balance-of-payment problem, and we have to husband our funds as never before. Under the Senate bill most of this $200 million would be paid into the general funds of the Treasury, where it would be available for appropriation by the Congress to supplement the assistance which we are giving to countries all over the world to help them with their economic development programs, or for other purposes.

The foreign aid needs are so great that every dollar must be wisely spent. This is why I engaged in a colloquy with the distinguished Senator from Illinois, and why I think he has so very well pointed out that imposing a premium price on sugar is an unjustifiable kind of foreign assistance, because the money will go to plantation owners who are extremely wealthy and who comprise a very small proportion of the population in their respective countries.

Almost none of it will be used for the construction of schools, hospitals, roads, or industrial development, which those countries need. Neither will it be used for the development of a sane and balanced agriculture, which they need. Their foreign aid needs are so great that they require all of these benefits.

I recognize that the money we have paid out for sugar has helped to improve the condition of the sugar laborers in the producing countries; that not all of it has gone into the pockets of the mill owners. But sugar workers may need help less than some other workers in those countries. Sugar may not represent the highest priority in a country's development plans. Where increased production of sugar can be attained only on the payment of a premium price, I seriously question whether it should be encouraged, and whether it represents the best use of the country's resources.

From the standpoint of sound economics alone, there is no doubt that the provisions of the Senate bill are infinitely preferable to those of the House bill. However, political issues are equally important in the present world, and the House bill evades the principal issue in the Western Hemisphere today.

As I have said before, the key question is: How shall we bring Cuba back to the free world?

We all realize, and even the House bill recognizes, that we must provide a market for the Cuban sugar in the United States when the Cuban people throw off the Castro-Communist regime. Is it wise, then, for this Nation to set up a sugar supply system so organized that a Communist Cuba will serve the economic interest of free nations? The House bill would place in conflict the political and economic interests of many nations and would discourage opposition to a Castro-Communist Cuba.

It would be a blow to the Cuban people who oppose Castro and would provide him with persuasive arguments that the West is no longer holding out its hand to the Cuban people, but has deserted them, and would cause them to believe that their only recourse is to remain with the Soviet bloc. This cannot be allowed. Making the Cuban quota available to all friendly countries on a nondiscrimnatory basis would diminish the buildup of vested interests and would provide Cuba with the opportunity to reenter the U.S. Market.

Mr. CLARK. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I yield to the Senator from Pennsylvania.

Mr. CLARK. I commend the Senator from Wisconsin for the position he has taken with respect to the foreign policy implications of the bill. I am completely in accord with his view that the Senate must not accept the House bill if there is anyway to get around it, because to do so would have a disastrous effect on foreign policy in Latin America and elsewhere.

Did I correctly understand the Senator to say that there would be a saving to the taxpayer of well in excess of $100 million if the Senate version of the bill were passed?

Mr. PROXMIRE. The Senator is completely correct. The saving has been estimated at between $140 and $180 million.

Mr. CLARK. That is because foreign sugar would be bought at the world price, instead of a subsidy being paid to foreign governments for the purchase of their sugar.

Mr. PROXMIRE. That is correct. This amount would be paid into the U.S. Treasury.

Mr. CLARK. Therefore, it would be a clear gain to the American taxpayer if the Senate bill were accepted.

Mr. PROXMIRE. That is correct. The Senate bill is an economy measure. There is no question about it. It is clearcut.

Mr. CLARK. What excuse is there for paying the world price to foreign countries which formerly had no quotas, if to do so will cost the American taxpayers well over $100 million?

Mr. PROXMIRE. The justification is very slight, indeed. I suppose the argument is that this is one way of assisting friendly nations. As I have tried to bring out in the colloquy with the Senator from Illinois, this is the worst way to do it. This is not the way in which to assist economic development. We know what the wealthy plantation owner, in many cases, have done in making profits which they invest abroad. There is no question about it. It is in the record. It is admitted and agreed to. We know that the sugar workers, by and large, are poorly paid. But even if they would benefit substantially by the proposal of the House, the fact is that it is not a balanced, sensible, or rational way to develop the Latin American economy.

Mr. CLARK. Is there any reason to believe that if a subsidy were paid, the feudal lords who operate the plantations would pass the benefits on to their workers?

Mr. PROXMIRE. Not to my knowledge.

Mr. McCARTHY. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I yield.

Mr. McCARTHY. A great deal of concern has been expressed to the effect that if the quotas were changed, that would be most distressing to the possibility of Cuba's coming back into the family of Western nations; and that we ought to hold Cuba's quota as a kind of bait, so to speak. At the same time, the Senate bill provides for a 5-year phase-out of the premium price which would be paid on Cuba's sugar. Unless Cuba came back within 5 years, she would come back with no advantage over any other country and would have to compete at the world market price. In effect, we are not offering anything to Cuba as an incentive to her coming back, unless she comes back in 5 years. If she came back in 1 year, she would receive 80 percent of her quota; in 2 years, 60 percent, until in 5 years there would be nothing for Cuba. So what is held out to Cuba?

Mr. PROXMIRE. I could not disagree more with the Senator from Minnesota on the facts. I disagree very much on the interpretation of the facts or what the facts signify.

Mr. McCARTHY. If the Senator disagrees on the facts, he does not know what is in the bill.

Mr. PROXMIRE. I know what is in the bill. I disagree with the Senator from Minnesota that the Senate bill will foreclose Cuba from the world market. I say that if this bill is passed she will be able to compete far better than she could if her quota were primarily assigned to other countries, which is the situation which will develop if the House bill is passed. The Senate bill would knock that out.

Second, there is the probability, although there is no assurance, that if a friendly democratic regime should regain power in Cuba, we would make adjustments and do what we could to create a situation which would enable Cuba to participate in the American market.

Mr. McCARTHY. As things stand now, Cuba will be phased out with everyone else, whether she has supplied us or not.

Mr. PROXMIRE. Cuba is under the House bill permanently excluded. Under the Senate bill, she would not be locked out.

Mr. McCARTHY. Congress could change the act at any time it desired.

Mr. PROXMIRE. Congress could change the act, but it would be extraordinarily difficult to do so once a number of other countries have been given a permanent quota and can wholly count on it. We would be in a position of alienating a number of friendly Latin American countries.

Mr. MORTON. Mr. President, will the Senator from Wisconsin yield?

Mr. PROXMIRE. I yield to the Senator from Kentucky.

Mr. MORTON. Is it not true that as to all offshore sugar, the cheapest to bring to this country is the Cuban sugar? Therefore, if Cuba sells at the world price, the net price they would get in the U.S. market, because of the low freight rates—and freight is an item in the cost of sugar—would still make it better for them to sell at the world price?

Mr. PROXMIRE. The Senator from Kentucky is absolutely correct. There is no question that Cuba, essentially, has one of the most efficient potential operations. Also, as the Senator from Kentucky has wisely pointed out, it has a tremendous advantage with respect to transportation.

In my judgment, the Dominican Republic is another nation which would benefit from the Senate bill. It has a new democratic regime and needs our support and assistance. Seventy percent of its foreign exchange is based on sugar. It needs time to diversify. The House bill would provide the Dominican Republic with a quota of 350,100 tons. Under the administration's global quota plan the Dominicans could expect to sell almost all their surplus sugar in this country because of their favorable geographic location and low production costs. It is the same advantage, as the Senator from Kentucky pointed out, which Cuba would enjoy if she overthrew the Castro regime.

The administration proposals would serve the needs of the United States for a regular supply of sugar. By coincidence, in 1960, when the Cuban supply was cut off, other suppliers had great surplus stocks available. This is no longer the case. For the last year, sugar has been shipped to the United States straight from the mill. Any disaster in one of the proposed quota countries could result in an interruption of our supplies. The United States would be at the mercy of any unnatural situation, such as flood, drought, war, or strikes, for our sugar supply. It is much more preferable for suppliers to have available their choice of the whole world's supplies for their needs. Then, if a stoppage occurs in the flow from one source, additional quantities are readily available elsewhere.

The administration recommendations of recapture of the quota premiums through the import fee and the global quota make sense.

This will increase Treasury receipts by at least $130 million a year and thus will improve the U.S. balance-of-payments position by that amount. It will provide an assurance of sugar supplies when and as they are needed. It will avoid discrimination by the United States between nations that are friendly to us. Also, it will be a demonstration by the Cuban people that the United States has not deserted them, but stands ready to welcome Cuba back into the family of free nations whenever the burden of communism can be thrown off.

In conclusion, Mr. President, I wish to state that Congress should pass the administration sugar bill by June 30, or let the present program expire.

The present Sugar Act expires June 30. Unless Congress acts, the existing program of foreign quotas and subsidies will come to an end, and the price of sugar to the consumer will drop.

Now backers of the House bill are trying to put a gun to our heads by sending over their bill just a few days before the old program expires.

I say, let the present program expire if the administration bill is not enacted by June 30.

There is talk of extending the present program for 30, 60, or 90 days. We tried that last year, and what was the result? In the end, all the main features of the bill devised by the House committee were adopted.

This year, the pressure of time is on the side of those who favor the administration bill. The bill has wide cosponsorship in the Senate, and has been approved by the Finance Committee, where hearings were held on a rush basis.

I wish to serve notice, here and now, that I will strongly object to any action to continue the present program or to adopt the House sugar bill in any form. There can be no compromise between earmarked subsidies to foreign producers and the administration plan.

The Senate bill is sound and workable. It is fair to consumers and taxpayers. In addition, it is fair to all foreign producers, since it treats them on a first-come, first-served basis. It should be enacted by Congress.

But if it is not, the logical alternative is to let the present law expire. One result might even be to give the long-suffering American consumer a break with a lower price for sugar.

Mr. President, when the conferees report to us, if they report that they have yielded to the House position, I think that would be a provocation for some Members of the Senate to talk at considerable length, because I think this issue should be explained to the country; and I am one Senator who expects to take quite a long time to discuss the conference report, if it comes to us in that condition.

I ask unanimous consent to have printed at this point in the RECORD excerpts from two excellent articles by Jack Steele, who has done a superb job in writing on this subject in the last several days. The articles report on the amounts which sugar lobbyists are being paid and the way in which they are now evading the legal reporting requirements.

There being no objection, the excerpts from the articles were ordered to be printed in the RECORD, as follows:

TOP SUGAR LOBBYISTS FAIL TO REPORT FEES

(By Jack Steele)

The U.S. sugar industry's top lobbyists failed today to comply with a Senate Finance Committee order to report the fees and expenses they collect to influence sugar legislation.

This was disclosed as the Senate prepared to approve, possibly later today, an administration-backed sugar bill which would kill some of the huge foreign sugar quotas and premium prices for imported sugar voted last week by the House.

But the Senate bill would curtail only slightly the hefty benefits paid to domestic sugar producers and refiners—and passed along ultimately to the Nation's consumers in higher sugar prices.

Senator J. WILLIAM FULBRIGHT, Democrat, of Arkansas, who demanded the lobbying reports, accused the representatives of the domestic sugar industry of ducking the committee's questions.

But there appeared to be little the Senate could do about their failure to comply, since the lobbying act passed by Congress is riddled with loopholes under which few lobbying

groups report what they actually spend to influence legislation.

LOBBYIST MAY GET $118,000 IF HILL PASSES SUGAR BILL—DOMINICAN REPUBLIC ALSO WOULD NET $23 MILLION

(By Jack Steele)

A lobbyist who represented Dominican sugar interests here in Washington during the Trujillo regime may collect a $118,000 fee if Congress enacts a House-passed bill which would give a $23 million "windfall" to the island's sugar producers.

His fees—some of which he apparently has not been able to collect—are among the highest disclosed in the Senate Finance Committee's widening probe of sugar bill lobbyists.

Dominican officials said today the lobbyist was fired last year as lobbyist for the Dominican Sugar Commission after the assassination of Dictator Rafael Leonidas Trujillo. The commission represents the island's sugar producers. Sixty percent of the production had been controlled by the Trujillo family.

The lobbyist's contract called for a $40,000-a-year retainer from the commission, plus a contingent fee of 25 cents a ton for all Dominican sugar sold in the United States.

How much the lobbyist collected before his contract was canceled was disputed. Senator PAUL H. DOUGLAS, Democrat, of Illinois, said the lobbyist's fees had run about $95,000 a year.

Dr. S. Salvador Ortiz, president of the commission, said the lobbyist had collected $57,000 last year, but was claiming $118,000 more.

Dr. Ortiz said the Dominican sugar producers had refused to pay the lobbyist his 25-cents-a-ton contingent fee after the Eisenhower administration had withheld the premium sugar price as part of the economic sanctions against the Trujillo regime.

Dr. Ortiz said the lobbyist now was trying to colect $118,000 of this contingent fee on grounds that the House-passed bill would restore to Dominican producers—not including the exiled Trujillo family—nearly $23 million of this penalty. The Kennedy administration has opposed this feature of the bill.

The Senate Finance Committee yesterday approved an administration backed bill which would kill this $23 million windfall for the Dominicans—and presumably the lobbyist's fee.

The Senate bill, expected to go to the floor tomorrow, also would kill the House plan to distribute most of the former Cuban sugar quota to 11 foreign nations which have high paid Washington lobbyists. Instead it would set up a global quota under which this sugar would be bought at world market prices.

The Senate measure gradually would end the practice of paying premium sugar prices to all foreign producers—prices which ultimately increase the price of sugar to U.S. consumers.

The lobbyist's name first cropped up in the Finance Committee's hearings on the sugar bill last Saturday.

Senator DOUGLAS revealed that the lobbyist had circulated a memo among some committee's members reporting his claims for unpaid fees against the Dominicans.

Dr. Ortiz testified that the lobbyist's claims amounted to $136,000, but told Scripps-Howard newspapers today the amount was actually $118,000. He said the Dominican Sugar Commission had no intention of paying it.

He said the Dominicans no longer wanted a contingent fee arrangement with any lobbyists.

A Chicago lawyer who now represents the Dominican Sugar Commission, said his flat fee is $2,000 a month—$24,000 a year.

Several other lobbyists also reported contingent fee arrangements.

A Washington lawyer who represents the Colombian sugar producers, said he was paid a $15,000 a year retainer, plus a sliding scale of fees ranging from 50 cents a ton to 25 cents a ton.

His fee under the House bill, which would give Colombia a 35,000-ton quota, would be $27,500.

Another lobbyist filed reports with the Justice Department showing he will collect at least $37,000 a year in fees and expenses for representing sugar producers of Ecuador and the British West Indies. He reported no contingent fees.

Mr. SALTONSTALL. Mr. President, no sugar is grown in Massachusetts, but two good sized cane sugar refineries are located there. Therefore, I am concerned because of the fact that the bill now before the Senate provides larger quotas for bringing in sugar already refined in foreign countries than does either the House bill or the original administration bill. Since the total consumption in the United States is fairly well fixed, every ton of refined sugar brought into our country means just that much less work for our own refineries. Under the House bill there are quotas for importing about 66,000 tons of refined sugar. Now we find that the Senate committee's proposal contains a provision for importing over 385,000 tons of refined sugar.

Cane sugar refining is important to Boston. It is the third largest commodity moving through that port, where there are two large, modern plants, employing over 1,000 persons. That means a payroll of over $7½ million a year to Boston.

These cane sugar companies have already suffered severe financial blows from their losses in Cuba. Now it is proposed, by means of the bill brought before the Senate, to reduce by about half a million tons, the amount of cane sugar available for them to refine. That would take away from the American refineries more sugar than is brought into the port of Boston in a whole year; $60 million worth of business would thus be taken away from American refineries by the new Sugar Act.

Just why does this situation face us?

The principal matter at issue in drawing up a new Sugar Act this year is the Cuban sugar quota. It is a very major issue, because we used to get about one-third of our sugar from Cuba. Of course, the Cuban sugar was all cane sugar. After much discussion, the whole U.S. sugar industry came to fairly general agreement about what should be done. Under this agreement, the domestic beet industry would receive a 25-percent increase in its annual quota—over one-half million tons. The important fact to remember is that beet sugar is turned into its finished product in one process right at the beet mill. Cane sugar is first turned into so-called raw sugar at the sugar mill near where it is grown, and then is shipped to places, such as Boston, where it is refined into the finished product. Thus, if we transfer the can-sugar quota to the beet-sugar quota, we reduce by that much the amount of sugar to be handled by refineries such as those in Boston. To insure that that work will not be taken away by the new bill from U.S. factories, the underlying basis for the agreement on a ½-million-ton expansion in the beet-sugar industry was that the option to import already refined sugar would be reduced by about that amount. The representative of the whole U.S. domestic sugar industry testified:

> The elimination of this option was a key provision in the industry program. Without it an accord could not have been reached.

This reduction in foreign refined sugar quotas will not hurt our friends abroad. It will not—and I want to emphasize this—reduce by a single pound the amount of sugar which any country may, under its quota, bring into the United States. It merely means that the sugar would be shipped in raw form, instead of in refined form. All these countries are fundamentally raw-sugar producers. The elimination of the Cuban refined sugar quota would still allow some refined sugar to be imported by the countries which produce beet sugar.

I speak as I do because of the importance to Boston of the sugar-refining business and because of the fact that this provision will not materially affect the countries from which the raw cane sugar is brought. Therefore, I hope the conferees will reach a conclusion which will make it possible for our refineries to continue to produce refined sugar, which means so much to the port of Boston, its refineries, and the thousand or more persons therein employed.

Mr. TALMADGE. Mr. President, will the Senator from Massachusetts yield?

Mr. SALTONSTALL. I yield.

Mr. TALMADGE. I compliment the distinguished and able senior Senator from Massachusetts for his statement. He and I cosponsored an amendment, the purpose of which was to give the sugar refineries in the United States and their employees an opportunity to refine raw sugar imported into the United States. Today, the sugar mills in the United States are operating at only 80 percent of capacity. This increased importation of raw sugar, rather than refined sugar, will give the sugar refinery employees in the United States 3 weeks additional employment, at a time when we are alarmed about the economy of the Nation, and when unemployment rates are still high.

In my judgment, the bill reported by the Senate Finance Committee is by far the best sugar bill reported during the brief period of time that I have served in the U.S. Senate.

The House bill has only one feature which I think is an improvement over the bill the Senate Finance Committee reported, and it is the one which would require a greater percentage of the sugar which is brought into the United States to be brought in in raw form, rather than in what is known as domestic consumption sugar. In other words, the employees in the United States—rather than employees in a foreign country—will then refine the sugar, and the sugar mills in the United States—rather than sugar mills overseas—will refine the sugar.

We do not make compensatory payments to any sugar mill for refining sugar. The compensatory payments are made only for the production of the cane sugar or the sugarbeets.

In the Finance Committee, I suggested this amendment; and there was great support for it when it was offered, with the joint sponsorship of the Senator from Massachusetts. It was discussed at some length there; and the apparent thinking of the members of the Finance Committee at that time was that the issue could best be resolved in conference, and that thereby the conferees would have some basis for achieving unanimity of opinion.

After listening to the discussion in the Finance Committee by the distinguished and able Senators who will be the Senate conferees, I felt it was wise to rest our case in the hands of the Senate conferees; and I feel quite sure that the distinguished and able chairman of the Finance Committee, the senior Senator from Virginia [Mr. BYRD], the distinguished and able senior Senator from Oklahoma [Mr. KERR], the distinguished Senator from Louisiana [Mr. LONG], the distinguished Senator from Delaware [Mr. WILLIAMS], and the distinguished Senator from Kansas [Mr. CARLSON] will, in the conference, take this matter into careful consideration; and I know they feel as do the Senator from Massachusetts and I, and as, in my opinion, do the overwhelming majority of the Members of the Senate and the overwhelming majority of the Members of the House of Representatives—namely, that we should do the best we can for the sugar industry employees in the United States and for the sugar industry in the United States, and should eliminate, insofar as practicable under our existing laws and treaties, the importations of direct consumption sugar.

I thank the able Senator from Massachusetts for yielding to me.

Mr. SALTONSTALL. Mr. President, I appreciate very much the contributions the distinguished Senator from Georgia [Mr. TALMADGE] has made.

Mr. KEATING. Mr. President, will the Senator from Massachusetts yield to me?

Mr. SALTONSTALL. I yield.

Mr. KEATING. Mr. President, I heartily support the distinguished senior Senator from Massachusetts, who has taken such a continuing and constructive interest in the legislation before us. The work which he has done with the distinguished junior Senator from Georgia [Mr. TALMADGE] is of great interest to the State of New York.

New York State is the largest center of cane sugar refining in the world. There are five huge refineries in the port of New York.

The New York cane sugar refiners provide direct employment for almost 5,000 persons, with an annual payroll in excess of $25 million.

The port of New York and supporting services benefit substantially from shipments to these refineries. In 1960, sugar ranked first among inbound commodities. That year, over 1,345,000 short tons of sugar, valued at over $170 million were brought into the port. Over 150 ships were required to bring this much sugar to New York.

Housewives buying package sugar, and bakers, bottlers, canners, confectioners, ice cream manufacturers, and other food processors located in New York State and surrounding areas rely heavily on these refineries to fill their divergent sugar needs. New York leads all other States in the quantity of sugar consumed. In 1961, consumption amounted to over 1.8 billion pounds of refined sugar, about 10 percent of the national total. New York and other cane sugar refiners supplied about 92.5 percent of all the refined sugar distributed in the State.

Mr. President the sugar industry of New York is greatly dependent upon world trade. We receive almost all of the raw sugar refined in New York from foreign countries. The Sugar Act before us today is the program by which we maintain the flow of this vital raw product into our port.

I share the disappointment of the Senator from Massachusetts that the Finance Committee has maintained the provision whereby Cuba can bring refined sugar into the United States. This creates quite a serious competitive problem for our domestic refineries in the Northeast, particularly because of the expansion which the Finance Committee has also encouraged of the production of beet sugar in other areas of our Nation.

The other body did not have this provision in its sugar bill. I think it is detrimental to the interest of American workers and a vital American industry. Under the present tense conditions of our relations with Cuba, I see no reason for retaining it. I hope that at some point in the consideration of this bill, the quota for refined sugar or "white" sugar will be eliminated.

Mr. President, on other grounds, I am willing to accept the committee bill and I hope that we will have a suitable and reasonable Sugar Act before that ominous deadline, 12 midnight this Saturday night.

I therefore join with the Senator from Massachusetts in his recommendation that in the conference with the other body on the bill before us, the conferees from the Senate accept the House provision which eliminated Cuba's refined sugar option and restricted refined sugar imports from other foreign countries. Unless this is done, an important industry in the State of New York will be deprived of its raw material and its production will suffer.

Mr. President, I should like to emphasize one final point. The elimination or reduction of the refined sugar options of foreign countries will not reduce foreign sugar quotas one iota. Foreign countries will be permitted to sell as much sugar in the U.S. market as before, but it will be in raw form, not refined.

The making of raw sugar is a major industry. The refining of sugar in the tropics will therefore not materially promote industrialization in foreign countries. The making of raw sugar involves the cutting and grinding of the cane to extract the juice. This requires huge mills. This juice is then evaporated, filtered, clarified, and crystallized into raw sugar, brown crystals which retain a protective film of molasses. In this form, it is shipped to our plants for refining.

Mr. President, I am pleased that the Cayuga County, N.Y., group which is interested in sugar production has indicated to me, through our distinguished colleague, Representative JOHN TABER of New York, their satisfaction with and support for the Senate Finance Committee bill.

Mr. CURTIS, Mr. JAVITS, and Mr. MORTON addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts has the floor.

Mr. MORTON. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator will state it.

Mr. MORTON. I have been trying to obtain the floor since 2 o'clock. It is perfectly all right to yield for a question, but Senators take 5 or 10 minutes to make speeches. I insist on the regular order.

The PRESIDING OFFICER. A Senator may yield only for a question. The Chair thought that the Senator from Massachusetts had yielded the floor, and attempted to recognize a Senator.

Mr. SALTONSTALL. Mr. President, I yield to the Senator from New York [Mr. JAVITS].

Mr. JAVITS. Mr. President, perhaps I can make my statement in the form of a hypothetical question. I appreciate that my colleagues are trying to obtain the floor, and I shall take only about 30 seconds.

I ask the Senator from Massachusetts whether I am to understand his position to be that he has refrained from offering an amendment because the problems of the refineries—and we have 25 percent of the refinery capacity in New York State, involving extensive employment—can, in his view, better be approached by having them dealt with in conference rather than on the floor of the Senate.

Mr. SALTONSTALL. The answer is "Yes."

Mr. JAVITS. Does the Senator desire me to state that I agree with his viewpoint? If so, I am happy to do so.

Mr. SALTONSTALL. I do.

Mr. JAVITS. I thank the Senator.

Mr. GORE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Massachusetts yield the floor?

Mr. SALTONSTALL. I yield for a question.

Mr. GORE. Does not the Senator think it is rather a strange legislative concept that a question is not to be considered by a committee and not to be considered by the Senate, but, in some way, is to be delegated to and dealt with by a conference committee? Does not the Senator think that is an unusual legislative process?

Mr. SALTONSTALL. It is my understanding that the author of the bill has some objections here and some objec-

tions there. The whole theory is to put the bill into conference, and from the refineries' point of view—and that is all I am interested in—that will be helpful.

Mr. GORE. Why does not the Senator offer the amendment and let the Senate reach some conclusion? It is unusual to present a problem and then say, "I really do not want the Senate to take a position on it, but leave it to the conference committee." Why leave it to the conference committee?

Mr. SALTONSTALL. I will say to the Senator from Tennessee, that, so far as my remarks are concerned, I did not say I left it to the conferees.

Mr. CURTIS. Mr. President——

The PRESIDING OFFICER. The Chair recognizes the Senator from Nebraska.

Mr. CURTIS. I ask unanimous consent that I may yield to the distinguished Senator from Kentucky [Mr. MORTON] for the purpose of having the Senator from Kentucky make a statement and offer an amendment, without the Senator from Nebraska's losing the floor.

The PRESIDING OFFICER. Is there objection? The Chair hears none.

Mr. MORTON. I thank the Senator from Nebraska.

Mr. President, I call up my amendment identified as "6–26–62—B."

The PRESIDING OFFICER. The amendment offered by the Senator from Kentucky will be stated.

The LEGISLATIVE CLERK. It is proposed, on page 26, line 23, to strike out the period and the quotation mark at the end thereof and add the following: "; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers."

Mr. MORTON. Mr. President, I ask unanimous consent to change the place where the amendment would be effective by making it read "on page 26, line 19," and striking out the words "and the quotation mark at the end thereof". That is, I substitute "19" for "23," and strike out the words "and the quotation mark at the end thereof."

The PRESIDING OFFICER. The Senator has a right to modify his amendment.

Mr. MORTON's amendment as modified is as follows:

On page 26, line 19, strike out the period and add the following: "; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers."

Mr. MORTON. Mr. President, I have not changed the susbtance of the amendment, but merely the place in the bill at which it is offered. I do so at the suggestion of the Senator from Oklahoma and the Senator from New Mexico.

I had intended to offer my amednment designated "A". I discussed the amendment with the Senator from Oklahoma, the Senator from New Mexico, and certain of my colleagues on this side of the aisle, and it was felt it could not be accepted.

I also pointed out in the hearings that I had some misgivings about this amendment because it required a floor of 100 pounds per capita consumption of sugar. That is, the Secretary of Agriculture would be required to set quotas at 100 pounds per capita. The consumption of sugar is well over that amount, being at 103, 104, or 105 pounds per capita. However the per capita consumption of wheat tumbled in this country. The same thing could happen to sugar, and I think that would be a dangerous thing.

However, the amendment which I have offered restates the purpose of the 1948 act and calls attention to the fact that steps should be taken by the Secretary to see that there is enough sugar so that excessive prices to consumers are avoided.

I hope the distinguished Senator from Oklahoma will take this amendment to conference.

Mr. KERR. Mr. President, I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as modified, offered by the Senator from Kentucky [Mr. MORTON].

The amendment, as modified, to the committee amendment was agreed to.

Mr. KERR. Mr. President, I think the Senator from Kansas has an amendment to offer; I am not sure.

The PRESIDING OFFICER. The Senator from Nebraska has the floor.

Mr. CURTIS. Mr. President, it is imperative that the proposed legislation be speedily enacted. Therefore, I shall take little time.

I wish to express my gratitude to the Committee on Finance of the Senate for holding hearings this year on this important subject. I express my gratitude for the courtesy and kindness of of the chairman of that committee the Senator from Virginia [Mr. BYRD]. The committee held long hearings and heard many witnesses.

We are indebted to many individuals, including the distinguished Senator from Oklahoma [Mr. KERR], the distinguished Senator from New Mexico [Mr. ANDERSON], the distinguished Senator from Utah [Mr. BENNETT], the distinguished Senator from Kansas [Mr. CARLSON], all members of the Committee on Finance, and certain other Senators who were very helpful. I refer particularly to the senior Senator from Louisiana [Mr. ELLENDER] and the Senator from North Dakota [Mr. YOUNG].

Mr. Lawrence Myers, of the Department of Agriculture, and Mr. Serge Benson, of our committee staff, were very helpful.

Mr. President, I have listened this afternoon to a great deal of discussion about the Sugar Act. I shall not suggest that it is a sectional argument. I fear that it is. I believe it is vitally important to the entire Nation that the act not expire.

There is a great sugar industry in this country. The farmers who are now raising sugarbeets and sugarcane are entitled to the certainty of the continuation of the act. The processors likewise are entitled to such assurance.

Contrary to the opinions of some, I believe it is clear that this has been a good law and that it has operated for the benefit of the consumers and of all the people of the country. When the American housewife goes shopping, sugar is the best bargain available in the store. There has been a constant supply of sugar at a very reasonable price at all times, including emergencies such as the Suez crisis.

The sugar industry has operated without a subsidy. In that statement I take as my definition of a "subsidy" the fact that out of the Treasury there is paid a part of the cost of a commodity. That is not true in the case of sugar. Not only do the consumers of sugar buy it at a reasonable price, a price which has increased very little in the past 10 or 15 years, but also they pay the entire cost.

Under this program the U.S. Treasury ends each year with a profit of $15 to $18 million. It is a good law. It has served the country well, and it ought to be extended.

I hope that Senators who suggest a filibuster to kill a law which does not specifically operate in their States will think twice before resorting to such drastic and unfair action, which cannot be supported by the facts in the case.

Very modest provision has been made for the expansion of the sugarbeet industry of this country. Our population has grown a great deal. We live in a day with many agricultural problems. Many crops are in great surplus. Thousands of farmers seek the opportunity to produce some of the sugar which is consumed daily in the United States.

If the proposed expansion of the domestic industry takes place, the imports from foreign countries still will represent 40 percent of our sugar supply. At a time when billions of dollars are being spent to support agriculture, is there anyone to suggest that we deny to American producers 40 percent of the market for automobiles? For wheat? For cotton? For shoes? For steel? I think not.

The meager, modest expansion which is to be granted to the sugarbeet industry is well justified. Because of the growth of our population, it is anticipated that consumption of sugar will be increased by 160,000 tons each year in the next 5 years. The domestic portion of the increase would be 65 percent under the recommendations of the Senate committee bill, or 104,000 tons increase per year. Approximately three-fourths of that, or some 78,000 tons, would go to the beet area. This means that the provision in the bill that 65,000 tons be set aside in an acreage reserve to serve areas which do not have in any significant amount a sugarbeet economy at this time can be carried out. Added to those 65,000 tons there would be an additional 13,000 tons of sugarbeet expansion elsewhere.

Mr. President, this will be an orderly expansion. The House bill provided for

a beet reserve of 50,000 tons a year for new areas, and provided that the domestic producers be given 63 percent of the growth factor. It was anticipated that this would make possible one new mill a year in the sugarbeet area for the next 5 years.

The Senate Committee on Finance recommends raising the annual reserve from 50,000 tons to 65,000 tons, and raising the percentage growth factor which would go to domestic producers from 63 percent as provided in the House bill to 65 percent. I hope that these figures will prevail in the conference. This will mean that perhaps as many as seven new mills can be provided in the select area might benefit by passage of entirely possible there will not be that many, but there might be.

This proposal calls for a modest increase. After all, we are legislating for all of American agriculture. The expansion of the sugarbeet industry should not be on the basis that some favored, select area might benefit by passage of the law. If we are to have an expansion of the sugarbeet industry, it ought to be in a sufficient amount so that some general and fair application could be made in all the areas which could qualify as potential producers.

As I stated, I shall not take a great deal of time. It is important that the bill be enacted hurriedly.

In the great State of Nebraska, which I have the honor to represent in part, there are 2½ million acres of irrigated lands. Only 77,000 of those acres are planted to sugarbeets. In the county in which I happen to live, the farmers are permitted to raise a meager 1,468 acres of sugarbeets. There are 90,000 acres of irrigated land, and at a minimum the farmers could use an acreage allotment of 9,000 acres.

In our immediate vicinity, in the two counties to the west and one to the east, the farmers are asking for from 37,000 to 50,000 acres more of beet land.

I could continue, and point out the facts about the great Republican Valley in Nebraska, south-central Nebraska, and parts of north-central Kansas. For every acre that was taken out of other production and placed into beet production we would lessen our problem of surpluses that much.

Mr. President, the bill is important to the great State represented in part by the present Presiding Officer [Mr. METCALF]. It is important to all States because it has served the consumer well. It has been an agriculture program that has paid its own way and has left a profit in the Treasury. In the past it has been fair to our neighbors and our friends.

I can only express the hope—of course, I cannot control—that Senators will cooperate in the extension of the law and that we will not become involved in a filibuster which, in the final analysis, would be the result of sectionalism. There would be opposition to an agriculture bill because neither beets nor cane are raised in a particular State. I make no such charge. I merely let the facts speak for themselves.

I hope the bill will be passed and will prevail in conference.

Mr. CARLSON. Mr. President, on behalf of myself, the Senator from Georgia [Mr. TALMADGE], and the Senator from North Dakota [Mr. YOUNG], I call up my amendment, which is at the desk.

The PRESIDING OFFICER. The amendment of the Senator from Kansas will be stated.

The LEGISLATIVE CLERK. On page 32, line 7, after the period it is proposed to insert the following: "In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kansas.

Mr. CARLSON. Mr. President, the proposed language is not new in sugar legislation. It is in the existing law. Instead of writing the provision into the bill, the House wrote a report that expressed the views of the House that special consideration should be given to certain countries.

I have discussed the amendment with the distinguished Senator from Oklahoma [Mr. KERR] and I hope he will take the amendment to conference.

Mr. KERR. Mr. President, I think the amendment should be adopted.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kansas.

The amendment to the amendment was agreed to.

Mr. YOUNG of North Dakota. Mr. President, I ask to have printed in the RECORD a statement which I intended to make in support of the amendment which has been agreed to.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR YOUNG OF NORTH DAKOTA

I am pleased to join with my distinguished colleagues in cosponsoring the pending amendment.

The effect of this amendment would be to make use of our surplus agricultural commodities in the purchase of sugar from other nations. Many of the countries from which we buy sugar are deficit production areas for other agricultural commodities such as wheat. This amendment would reaffirm the policy of Congress, as contained in the 1961 extension of the Sugar Act, that special consideration in sugar allocations to foreign countries be given to those countries willing to buy our agricultural commodities.

Only recently the Government of Brazil has indicated that it would be willing to enter into a 5-year agreement which would involve the purchase of an average of about $50 million a year worth of wheat if the program could be supported through the receipts from sugar sales within the United States.

Brazil needs wheat, which we have in abundance. So long as we are filling a considerable portion of our domestic sugar requirements from areas outside the United States, it certainly would seem to me to be only good sense and good business to make these purchases from countries which, in turn, would be willing to buy from us commodities which they need, and which we have in surplus. We need to expand our dollar exports wherever possible. This is one means of accomplishing this.

I believe that it would be much better for those countries to get food from us, which they need, rather than dollars with which they can purchase items which are not so essential to the people of these countries. Making food available to them will do far more than anything I know of to combat the spread of commuism.

Public Law 480 was designed to not only make possible the distribution of our agricultural abundance to the hungry people of the world, but also with a long-range view of eventually developing new dollar markets for these commodities. A 5-year agreement such as is proposed with Brazil would be most helpful. Under such an agreement, the Government of Brazil would be assured of a supply of wheat which it needs, not just for 1 year, but for a 5-year period. Similar agreements, I am confident, could be worked out with other countries in the future. More of this could have been done in the past under existing authority except for the unfortunate opposition of some people in the State Department.

Mr. LAUSCHE. Mr. President, in my opinion the pending bill should be passed because, first, its provisions are in the interest of our national security and wholesome international relations; second, they are in the interest of the partial solution of our domestic economic problems.

Passage of the bill now pending before the Senate would eliminate the creation of complications in our trade with foreign countries involving sugar if and when the present difficulties with Cuba come to an end. It would be helpful in the solution of our domestic economic problems because it is conceded that $150 million would come into our Treasury at a time when we are faced with grave international problems because the balance of payments is adverse to the United States.

One of the problems of our country which is worrying our President greatly is the flight of gold from our country. It is my understanding that, at the present rate of outflow, we shall have suffered loss of about $1 billion before the year is over. The $150 million involved in the bill could help reduce the acuteness of that problem.

For these reasons I feel that the bill as it is now pending should be passed, in preference to the bill that has come to us from the House.

I yield the floor.

Mr. McCARTHY. Mr. President, I offer an amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. At the proper place it is proposed to insert the following new section:

SEC. —. Paragraph (1) of section 301(c) of such Act is amended by striking out ", and shall have been paid wages therefor at rates not less than those that may be determined by the Secretary to be fair and reasonable after investigation and due notice and opportunity for public hearing; and in making such determinations the Secretary shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among various producing areas: *Provided, however,*" and inserting in lieu thereof "at not less than the minimum wage rate prescribed by section 6(a)(1) of the Fair Labor Standards

Act of 1938, as amended: *Provided, however,* That the Secretary, after due notice and public hearing, may in the case of hardship grant limited exceptions to the foregoing provision: *And provided further,".*

Mr. McCARTHY. The amendment is a part of a bill which was introduced and bore the number S. 3457. Among the cosponsors were Senators NEUBERGER, YOUNG of Ohio, GRUENING, FONG, HUMPHREY, BARTLETT, LONG of Hawaii, ENGLE, HICKEY, BURDICK, and WILLIAMS of New Jersey.

In submitting the amendment I have eliminated section 2, which related to a special payment to be made to American growers who, in the determination of the Secretary of Agriculture, were paying substandard wages, but whose sugar operations were such that they could not reasonably be expected to pay fair wages to the workers on their sugar farms or plantations.

The present Sugar Act in section 301 (c) (1) directs the Secretary, in making determinations of fair and reasonable wage rates for sugarcane fieldworkers, to take into consideration the standards formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among the various producing areas. The standards to which the act refers are the relationships of wage rates to costs of living, prices of sugar and byproducts, income from sugarcane, and costs of production.

In other words, under existing law the Secretary of Agriculture is instructed to establish fair and reasonable wage rates for sugarcane workers, and he is supposed to take into account the cost of living, the price at which sugar is now being supported, which is something like 100 percent of parity, the value of the byproducts, income from sugarcane, costs of production, and the like. He is called upon to take into account essentially the same factors which Congress takes into account in determining minimum wages for industrial workers in the United States. In this instance he starts from the bottom and builds up, and he is supposed to take into account all the factors that are taken into account in determining the minimum wage for industrial workers.

The current wage determination for Louisiana, for example, establishes minimum wage rates ranging from 60 cents an hour for unskilled workers to 85 cents an hour for skilled workers. The comparable minimum rates in 1960 were 55 cents and 80 cents an hour, and in 1956 they were 40 cents and 70 cents an hour for skilled workers.

For similar work classifications in Florida the current rates are established at 90 cents and $1 an hour. The comparable rates for Florida for 1960 were 80 cents and 90 cents an hour, and for the period July 1, 1956, to June 30, 1957, they were 65 cents and 75 cents an hour. The minimum rate provided for hand labor workers in the current wage determination for the sugarbeet area is 95 cents per hour. In the sugarbeet area the minimum hourly rate in 1960 was 75 cents, and the rate in 1956 was 65 cents, except for California, where the rate was 70 cents. In 1950, the minimum rate in the beet area was 60 cents an hour.

I ask unanimous consent to have printed in the RECORD at this point table No. 26 entitled "Production, fieldworker requirements, and earnings of fieldworkers for domestic sugar producing areas, 1946–1960 crops," which was published in Sugar Reports, issued by the U.S. Department of Agriculture, Agricultural Stabilization and Conservation Service, Sugar Division, in September 1961.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 26.—*Production, fieldworker requirements, and earnings of fieldworkers for domestic sugar producing areas, 1946–60 crops*

[Dollars per hour]

Crop year	Weighted average earnings per hour of fieldworkers [1]					
	Louisiana	Florida	Hawaii		Puerto Rico [2]	Beet area
			Earnings	Fringe benefits		
1946	0.372	0.586	0.586	0.147	0.254	0.751
1947	.389	.634	.776	.123	.305	.782
1948	.414	.669	.955	.140	.344	.816
1949	.428	.669	1.056	.185	.343	.850
1950	.444	.667	1.089	.195	.348	.888
1951	.454	.714	1.127	.235	.370	.938
1952	.493	.842	1.204	.251	.393	.939
1953	.523	.888	1.303	.269	.416	.938
1954	.550	.880	1.372	.339	.439	.940
1955	.564	.885	1.448	.405	.437	.943
1956	.629	.914	1.469	.448	.452	.979
1957	.667	.952	1.538	.482	.492	1.036
1958	.692	.984	1.597	.571	.502	1.090
1959	.710	.991	1.629	.541	.497	1.165
1960	.738	1.110	1.741	.565	.502	1.185

[1] Based on average hourly cash earnings of workers employed on time or piecework-rate basis. In addition, workers receive noncash benefits valued at 2 to 15 cents per hour except in Hawaii. Fringe benefits to workers in Hawaii are listed above.

[2] Data are for the 1945–46 crop through the 1959–60 crop.

Mr. McCARTHY. Mr. President, I believe it is obvious from these statistics and from this record that the determination of wage rates in the sugar industry of this country borders on the arbitrary. The rates vary from one type of production to another and from one area to another in situations in which the same kind of sugar-producing crops are raised.

It is my opinion that it is completely reasonable and defensible to establish a minimum wage and have it apply to sugar producers, but to give to the Secretary of Agriculture authority, as my amendment proposes, to reduce that rate downward, and to take into account special considerations, special questions, and special forces and factors that bear upon the operation of the industry in those areas.

Having started from nothing and building up, and taking into account reasonable considerations, has resulted in a kind of patchwork program which defies any kind of analysis. My amendment would provide a minimum wage, and the Secretary must give some justification or some defense for the downward adjustment.

So long the price support program provides adequate prices and adequate support to those who produce sugar and those who process it, we ought to provide an adequate return for those who work in the beet fields, the cane fields, and the processing plants.

Mr. KERR. Mr. President, I hope the amendment offered by the Senator from Minnesota will not be adopted. There is no one for whom I have greater respect than the Senator from Minnesota. However, the price that is obtained by the grower of the cane or beet sugar is related directly to the price that he pays for labor.

The Secretary of Agriculture is authorized under the law to take into account the economic conditions and the prevailing wages paid to agricultural workers in every community, and to fix a price for labor in any given community and relate it to the economic conditions prevailing and the wages prevailing in the economic environment of the producer.

In all the years that Congress has adopted requirements for a minimum wage, agricultural labor has always been specifically excluded. If the amendment of the Senator from Minnesota were adopted, it would be in violation of every action ever taken by Congress with reference to fixing of minimum wages and national standards for agricultural workers.

The reasons are perfectly apparent. In many instances, if not most, the financial wages received by the worker are not the only consideration involved in paying for the labor. In many situations housing, food, and transportation are furnished. In the judgment of the Senator from Oklahoma the amendment of the Senator from Minnesota would make the bill unworkable.

Therefore I sincerely hope that the Senate will not accept it.

Mr. ELLENDER. Mr. President, I hope the Senator from Minnesota will not press his amendment. As he may know, I was a member of the conference committee which agreed to the present Fair Labor Standards Act. That act has been amended on many occasions. Efforts have been made to include agricultural labor in the act but up until now, Congress has never agreed to such an inclusion.

I do not know of another agricultural commodity in which the Secretary of Agriculture has authority under the law to fix the minimum wage, as is the case with respect to sugar.

Great progress has been made in the direction of higher wages and benefits in my State. I think I mentioned that a while ago. Wages in the sugar industry have been considerably increased. I remember that when I was a boy, about 60 years ago, the average caneworker on my father's farm received 80 cents a day. Today, he receives an average of 80 cents an hour. In addition, as the Senator from Oklahoma stated, those workers receive a free house and free water; and, by the way, the water is furnished by the city where I live. They get electricity free. Many of them have their doctor bills paid. If all those fringe benefits are added to the actual wage paid, the amount received will be increased from 27 to 30 percent.

I do not believe the sugarbeet worker or the sugarcane worker should be put under the Fair Labor Standards Act. That would mark him out as a special case, completely apart from all other agricultural workers. That is really what the Senator from Minnesota proposes to do. Since good progress has been made in the sugar producing industry, I hope the Senator from Minnesota will not insist upon his amendment.

Mr. McCARTHY. I agree with the chairman of the Committee on Agriculture and Forestry, on which I serve, that it is a fact, as he has said, that the Sugar Act is the one agricultural act which places a burden on the Secretary of Agriculture and the Department of Agriculture to establish fair and reasonable wages. If there were farm programs which were as effective in supporting and maintaining the prices of farm products as is the Sugar Act—and as I think it should be—the minimum wage should apply to all farmworkers. But the justification for not imposing the minimum wage on agricultural workers is that the farmers themselves do not receive a fair return.

I believe there is no question that the sugar producers are receiving a fair return under the act. If they were not, I think they would have asked our committee to give them a larger subsidy.

For a time, there was a provision for adjustment in the amount of subsidy which could be paid to the sugarcane producers. That provision was later reconsidered by the committee. Otherwise I see no hardship involved. If the payment of standard wages or minimum wages is a hardship, Congress can make an adjustment. If the position of the Senate prevails, there will be something like $160 million in special payments to the Treasury as a result of the oversea operation phase of the bill. I should be glad to make certain that domestic growers who cannot pay minimum wages are subsidized out of that amount.

The second section of the bill which I introduced—the section I struck out—contained a provision that the growers in this country who feel it would be a hardship to pay a fair return to their workers would be subsidized from the amount which would be returned by virtue of the payment made on sugar imported into the United States.

If we are concerned about the income to the producers, it seems to me we ought to move one step back and protect the payment to the workers. A number of Senators have expressed concern that the oversea phase of the sugar program is not operating in such a way as to protect the workers. This is one way in which we can take action to make certain that the workers in the United States have their rights protected.

My amendment provides that instead of starting from the bottom and going up, the rate will start at $1.25; and if any employer wishes to pay less, he must justify his action.

The Secretary of Agriculture may take into account the working conditions, including the kind of housing provided the sugar workers. But the employer must begin his wage payments at $1.25 an hour and justify any revision of the payment downward.

Mr. LONG of Louisiana. Mr. President, will the Senator from Minnesota yield?

Mr. McCARTHY. I yield.

Mr. LONG of Louisiana. The conditions of sugar workers in the United States have greatly improved, both in Louisiana and, perhaps even more markedly, in Hawaii.

I have some familiarity with the latest studies on earnings. I know that the sugarcane producers have managed to increase their earnings somewhat. On the larger farms in Louisiana, the average earnings on investment, before interest and taxes, was 5.7 percent from 1954 through 1958, but only 2.2 percent in 1959. Those are the latest figures I have been able to obtain. That is one reason why I contended earlier today that the so-called subsidy should not be reduced.

Mr. McCARTHY. I am not in favor of reducing the subsidy. If the subsidy is not adequate to pay the workers in the sugarcane area, I would favor the payment of a higher subsidy.

Mr. LONG of Louisiana. I feel that if this approach is to be undertaken, it should be carefully studied to ascertain how much the price of sugar would be increased, and to make sure that funds are available to provide for an increase in price. Otherwise, producers would be placed in a position of causing employees to lose their jobs because sugar was produced at a lower price.

Mr. McCARTHY. I took that into account in my amendment, which provides that in case of hardship, the foregoing provisions could be amended.

Mr. LONG of Louisiana. It seems to me that before the grower plants his crop he should have the privilege of persuading the Secretary of Agriculture that he should stay in business. I think there should be some reasonable assurance that he will still be in business.

Mr. McCARTHY. He is in that position now, since the Secretary has authority to raise wages. The Secretary ought to be given a reasonable target. I am not altogether persuaded that the sugar industry could not absorb the cost of somewhat higher wages. For example, from 1946 to 1956, Louisiana moved from 37 cents an hour to 73 cents an hour, which is a great improvement. A 100-percent increase has been absorbed.

Mr. LONG of Louisiana. One reason for that is that the work has been done with half as much labor. The producers have succeeded in mechanizing. This has materially helped their position, so far as the increase in wages is concerned. They are mechanizing as rapidly as possible. That is the second largest item of expense for the producer. It is second only to labor. In Louisiana the producers spend about $12 million a year on mechanizing and $22 million a year on labor.

Mr. McCARTHY. I know the Senator from Louisiana generally shares my view that this is an area in which mechanization performs not only an economic good but an important social good. It removes from the working force workers who are receiving 40 cents an hour. This is an area in which automation and mechanization should be encouraged.

I suppose the cost of living is not much higher in Hawaii than it is in Louisiana, but the sugarcane workers in Hawaii, in 1960, according to the report of the Department of Agriculture, received $1.74 an hour plus 56 cents an hour in fringe benefits. That is more than $2 an hour. I think there is mechanization in the cane fields of Hawaii. Perhaps prices are too high. But I have cited this as a basis for comparison.

Mr. LONG of Louisiana. The Hawaiians would not be paying that much if they did not have the money with which to pay it. The reason they can do so is that they have a year-round growing season. They can cut their cane after 18 months. In Louisiana, where the sugar-growing season is shorter, it is necessary to work on an annual 10-month basis instead of on a basis of 18 months growth, as is the case in Hawaii, where the climate is much more favorable.

Mr. McCARTHY. We allow them to take into account special hardships. I would be glad if the hardships were considered such that a Louisiana producer could make a case for additional subsidy, so that the sugar workers in Louisiana might receive a living wage.

Mr. KERR. Madam President (Mrs. NEUBERGER in the chair), I hope the Senate will reject the amendment of the Senator from Minnesota.

I wish to say to the Senator from Minnesota that under the present law the Secretary of Agriculture has the authority and the duty to fix an equitable wage for the workers who produce sugar cane or sugar beets. If there is a Member of the Senate who should have confidence in the present Secretary of Agriculture—confidence that he will be fair to the workers on the sugarcane farms and to the workers on the sugarbeet farms in our Nation—it is my distinguished and dear friend, the Senator from Minnesota [Mr. McCARTHY], who has offered this amendment.

Madam President, I will not cast a vote of lack of confidence in the present

Secretary of Agriculture—a lack of confidence that he will follow the law, a lack of confidence that he will provide a fair wage for the agricultural workers—by voting for the amendment of the Senator from Minnesota. It seems to me that in offering the amendment at the time of the occupancy of that office by the present Secretary of Agriculture he calls for a vote of no confidence in the present occupant of that office, in a position in which I do not believe the Senator would want to persist.

Mr. McCARTHY. Madam President, the Senator from Oklahoma has raised a difficult question for Senators, and the choice for Senators is a hard one, for now the question is whether the Senate wants me disgraced or the Secretary of Agriculture disgraced. I hope Senators will be prepared to defend a Member of the Senate, rather than rise in defense of the Secretary of Agriculture.

Mr. KERR. Madam President, I did not rise to defend the Secretary of Agriculture. I merely remarked upon the fact that the Senator from Minnesota is asking Senators to cast a vote of no confidence in the present Secretary of Agriculture.

Mr. McCARTHY. But the Senator from Oklahoma has put us in a relative position. The question now is not one of a vote of no confidence in the Secretary of Agriculture, but one of whether Senators have more confidence in my recommendation or in the way in which the law was administered before the present Secretary of Agriculture was appointed.

Mr. KERR. There is no one in whom I have more confidence or trust that he will serve in the interest of the public than I have in the distinguished Senator from Minnesota. However, we are not here asked to give him a vote of confidence. Instead, we are asked—for the first time in the history of the Congress, so far as I know—to vote in favor of a minimum wage law for agricultural workers, on the one hand, or, on the other hand, to indicate by our vote that we do not believe the present Secretary of Agriculture will live up to his responsibility under the law to fix a fair and equitable wage for the workers producing sugarcane and sugarbeets.

Mr. McCARTHY. The vote called for is not so much on a question of confidence in the Secretary of Agriculture as it is on the question of the soundness of the policy established under the preceding administration. So the question is one of permitting the present Secretary of Agriculture to do what he would do if he were a freeman and were not bound by the policy established in the previous administration.

Mr. KERR. I suggest that the present Secretary of Agriculture can be trusted to carry out the policy established by Congress.

Mr. McCARTHY. If the House had responded more favorably and with more enthusiasm to the recent farm bill, I might be more inclined to respond favorably to the suggestion of the Senator from Oklahoma.

Madam President, this is not the first time the question of aid to agricultural workers has been before the Congress. Congress previously established a minimum wage for Mexican agricultural workers who come to this country. In addition, Congress has established a minimum wage for certain migratory domestic workers; and in the Sugar Act there is a provision that the Secretary shall determine fair and reasonable wages for agricultural workers in the sugarcane fields.

I believe we have made the case for this amendment as clearly as it needs to be made. I hope Senators will base their votes on the amendment on the merits of my proposal, rather than take into account either my sensitivities or the possible sensitivities of the Secretary of Agriculture.

Mr. FONG. Madam President, will the Senator from Minnesota yield?

Mr. McCARTHY. I yield.

Mr. FONG. I should like to join the distinguished Senator from Minnesota in asking for the adoption of this amendment.

I, too, was sorely disappointed that the sugar bill reported by the Finance Committee contained no provisions to raise the minimum wages for sugar-field workers.

Although since 1937 sugar legislation has provided the Secretary of Agriculture authority to set fair and reasonable wage rates, as administered the term "fair and reasonable" has proven exceedingly elastic. It stretches from the 36-cent-an-hour minimum wage in Puerto Rico, to the 50-cent-an-hour minimum in the Virgin Islands, to the 60 cents in Louisiana, to the 95 cents in the western beet area, to the $1.46 an hour set for sugar workers in Hawaii.

As I stated on the floor of the Senate on June 15 this year, the amazing increase in productivity of the sugar industry over the years has been shared with only a relatively few of the sugar workers during this time. Thousands of these workers continue to receive meager pay.

The sugar industry can be proud of its outstanding progress in improving its all-around productivity. Research and mechanization are largely responsible for productivity advances. This is particularly true in my State of Hawaii. Here, manhours required to produce a ton of sugar have declined from 27 in 1947 to 17 in 1960.

The impact of improved technology has sharply affected all other producing areas. This is not true, to the same extent, however, of wages.

A recent "Special Study on Sugar" by the Agriculture Department noted that, while man-hours used per ton of sugar produced declined 20 percent from 1948–50 to 1957–59, new industry developments will permit still further reduction of labor costs. Meanwhile, the percentage decrease in the amount of labor used for producing sugarcane has been even greater than for sugarbeets, and is likely to decrease even further.

Surely, it should be possible for the sugar worker to obtain a more equitable share of the increased benefits resulting from increased productivity.

Our sugar program has become a national institution. It is supposed to consider the welfare of all—the consumer, the producer, the processor, and the worker. So far, the worker has been nearly forgotten.

There is a basic unfairness in this economic inequity. It should not be allowed to continue.

I regret that the Finance Committee did not seize this opportunity to rectify the minimum wage inequities for sugar workers. This would have been fully in accord with the action of Congress last year in raising to $1.15 an hour the minimum wage in interstate commerce.

If, in acting on sugar legislation, the Senate does not take remedial action in behalf of sugar workers, I want to urge the Secretary of Agriculture, under his clear statutory authority, to take corrective steps. He is empowered to raise minimum wages; and he should do so in the very near future.

We in Hawaii believe sugar workers should be paid a living wage. Our sugar workers are the highest paid in the world, and we are proud of this fact. We know that it is to the mutual benefit of the industry, the workers, and the consumers.

When confronted with sugar produced in areas where minimum wages of 60 cents and 36 cents an hour prevail, obviously Hawaii sugar is at a competitive disadvantage. So we in Hawaii are concerned not only from the standpoint of humanitarianism, but also from the standpoint of competition.

Last March, the State Legislature of Hawaii adopted a memorial petitioning Congress to amend the Sugar Act so that all persons employed on farms receive wages not less than the minimum set by Congress in the Fair Labor Standards Act. Earlier this month, the board of supervisors of the county of Hawaii adopted a similar resolution.

Madam President, I wholeheartedly support the McCarthy amendment which would lift the minimum wages for sugar workers. If that amendment fails, I strongly urge the Secretary of Agriculture to act under his statutory authority to remedy this deplorable situation.

Mr. KEATING. Madam President, will the Senator yield?

Mr. FONG. I yield.

Mr. KEATING. I commend the Senator for a very fine statement. I know of his deep interest in this problem, and I know he has made a very strong case for the amendment.

Mr. McCARTHY. Madam President, I yield to the Senator from New Jersey.

Mr. WILLIAMS of New Jersey. Madam President, I strongly support the amendment offered by the Senator from Minnesota and strongly commend him, too, for offering this much needed amendment to the Sugar Act.

After 3 years of study of the conditions of farmworkers in this country, it is the conclusion of the Migratory Labor Subcommittee on which I serve that farmworkers are almost universally unemployed and underpaid. We know that farmworkers are not included in the Fair Labor Standards Act. We know that many of them are migratory workers work in connection with perishable crops that have no national support program.

I would like to see all farmworkers included in a program that would put a floor under their wages. However, if we cannot have such a program, certainly we should start with a program that would insure reasonable wages for persons who are working in an industry that has a very strong national support and subsidization program; and that, of course, is true of the sugar industry.

I reiterate my commendation of the Senator from Minnesota, and strongly support the amendment.

Mr. McCARTHY. Madam President, I have been requested to ask for the yeas and nays on this amendment. I therefore request the yeas and nays.

The yeas and nays were ordered.

Mr. HOLLAND. Madam President——

The PRESIDING OFFICER. The Senator from Minnesota has the floor.

Mr. HOLLAND. I thought the Senator had yielded the floor.

Mr. McCARTHY. I yield the floor.

Mr. HOLLAND. So far as my State is concerned, we are not affected by this amendment, except in the invidious way of getting agriculture under the Wages and Hours Act, where it never had any place, because we pay more than the $1.15 which is prescribed under the Act.

So far as the Senator from Hawaii is concerned, he is exactly in the same position, because the order of the Secretary of Agriculture fixes minimum wages there for cane workers at $1.74 an hour. So he would not be affected in any way by the passage of this Act in any direct way.

I think it is fair and decent that the difference between living conditions, the difference in the degree of profits, the difference in the whole situation in one area of the country and another should be reflected by the orders issued by the Secretary of Agriculture, as provided by the present law.

I do not see any reason to place in this Act the inflexible rules of the Wages and Hours Act and to classify these people as coming under industry; and that is what we would do if we should adopt the amendment.

Congress has repeatedly refused to classify agricultural workers as coming within the law that applies to industrial workers. Here we find a perfect illustration of the fact that the very able Secretary of Agriculture has realized that there is no way to classify by the same rule and the same standard workers who work in Florida, Louisiana, in the sugar belt, or in Hawaii, because the cost of living and everything else in connection with the work are different.

I think the standards in the present law are far preferable to making an exception with reference to this single class of workers and placing them in the same group with industrial workers, and, by doing that, to depart from the principle that Congress has followed uniformly in declining to classify agricultural workers as coming in the same group as industrial workers.

I hope the amendment will be defeated.

Mr. MORSE. Madam President, minimum wage protection for sugar workers has been supposedly guaranteed since 1937 under section 301(c)(1) of the Sugar Act. That provision empowers the Secretary of Agriculture to make determinations as to fair and reasonable wage rates for fieldworkers in the various producing areas.

Many have been led into the misconception that the fair and reasonable provision protects the sugar worker on a basis at least the equivalent of the minimum wage standard provided by Congress in the Fair Labor Standards Act. Nothing could be further from the truth.

The existing wage determinations bear no meaningful relationship to congressional intent as expressed in the Fair Labor Standards Act. Nor do they suggest anything resembling fair and reasonable from the standpoint of providing a living wage for the affected workers.

Wage rates that range from 36½ cents an hour to 95 cents can only be considered substandard.

In considering this question, in reviewing how the fair and reasonable provision has worked out in practice, I am impressed with a statement provided by the Packinghouse Workers Union. This union represents many of the sugar workers in Puerto Rico and in other areas. Its discussion of the legislative history of the Sugar Act and the Fair Labor Standards Act makes a significant contribution to consideration of the McCarthy amendment.

For example, this statement points out that the issues involved in the Fair Labor Standards Act were actively before Congress at the very time the Sugar Act of 1937 was in process of passage. Therefore, as the statement says, the legislative background and ultimate language of the Fair Labor Standards Act casts considerable light on the meaning and intent of the phrase fair and reasonable as used in the Sugar Act.

The significance of this point is that Congress, in considering the Fair Labor Standards Act, debated the possibility of using the concept of a fair wage. However, this concept was dropped in favor of fixing merely a wage that would be at a minimum nonoppressive level.

The statement then goes on to say:

> It is inconceivable that a Congress which fully understood the concept of a fair wage then under debate in connection with one statute as a wage rate above certain minimum nonoppressive levels would have in mind anything different in its understanding of the term fair and reasonable wage in the enactment of another statute at the same time.

This conclusion is underlined by the fact that the original Fair Labor Standards Act before Congress distinguished between a wage which was merely not oppressive and the higher wage which was a fair wage. In the final version of the minimum wage law, Congress recognized that what it was establishing in this statute was not anything which could be regarded as a fair or reasonable wage. In section 8 of the act, Congress emphasized the fact that the act established the absolute bare minimum so that nothing in the act was to excuse noncompliance with higher levels required under other laws.

It is quite clear then, as the statement brings out, that the Congress of 1937 and 1938 concluded that a wage which was fair and reasonable would obviously be a wage higher than the level necessary merely for the maintenance of the minimum standards of living necessary for health, efficiency, and general well-being.

From this legislative history, as the statement goes on, it would appear there is substantial ground to assert that a wage level which actually falls below the level necessary for the maintenance of that absolute minimum standard which merely escapes being oppressive cannot conform to the standard of being a wage which is fair and reasonable.

The general import of the statement from the Packinghouse Workers is that the fair and reasonable provision should have provided wage rates equal to, if not higher than, the Fair Labor Standards Act minimum. It demonstrates that the issue before us now is not a substantive change in the minimum wage provision of the Sugar Act, but a clarifying amendment designed to bring to the sugar workers the wage rates to which they were properly entitled all these years.

The Packinghouse Union's statement deserves the most careful consideration.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

FAIR AND REASONABLE WAGE RATES FOR SUGAR WORKERS

The problem of decent minimum wages under our sugar program relates to the exact meaning to be given to the phrase "fair and reasonable" as it relates to wage standards in section 301 of the Sugar Act of 1948 (7 U.S.C. 8301(c)(1)).

For purposes of this analysis it is necessary to note at least briefly the context in which the provision for the fixing of fair and reasonable wages appears in the statute.

In the first place it should be noted that the wage determinations of the Secretary of Agriculture do not constitute affirmative, regulatory, governmental requirements enforced upon employers by criminal or injunctive processes. On the contrary, these wage provisions appear in a statute pursuant to which the Government is extending to the employer certain benefits in the form of payments made by the Government to the employer. The provisions dealing with the labor relations of the employer (child labor, wage standards, etc.) are set forth as limitations on the employer's right to receive the governmental benefit—conditions placed upon the availability of payments to growers otherwise eligible under the statute.

In asking for the enactment of the original Sugar Act of 1937, the President in his message to Congress stated the purpose of these provisions by pointing out that "the employer should be expected to be a good employer. Therefore * * * the payment of wages of not less than the minimum standard shall be included among the conditions for receiving the benefit payment."

What apparently has never been expressly recognized by the Secretary of Agriculture is the undeniable fact that the provisions of the act dealing with matters of the employer's labor policy were intended for the protection of employees. If the Congress were concerned solely with achieving the objectives for which the conditional-payment provisions were ostensibly enacted—and were not concerned at all with how oppressive to the employee might be the conditions under which employees worked for the employers benefited by these payments—then there would presumably have been no occasion at all for any provisions on working conditions.

It may perhaps be more profitable for the sugar producing employers to use the services of children under the age of 14 years.

It may perhaps be more profitable for such an employer to work his employees for grossly inadequate wage rates and perhaps even to engage in sharp practices by failing to pay in full for all work performed. However, in fairness to beet sugar producers in the State of Oregon, it should be pointed out that neither of these objections appear to be applicable. The average rate paid in Oregon is in excess of the fair labor standards minimum. But the provisions of section 301(a) declare that an employer who chooses to employ a child under the age of 14 will not be entitled to receive the benefits of the Government conditional-payment program. Similarly section 301(c)(1) has said that an employer who engages in the sharp practice of failing to pay in full for all work performed by his employees will be denied the benefits of the payment. And by the same token an employer who fails to pay the rates determined by the Secretary to be fair and reasonable is to be denied the benefits of the payments.

The point which we emphasize in this connection, therefore, is that these are provisions which were not directed toward expanding the profitability of the employer's enterprise but were directed toward declaring certain types of conditions which Congress felt to be so unconscionable and contrary to public policy as to render the perpetrators at least ineligible for the receipt of special Government benefits.

In emphasizing this point, it is well to consider whether there is any similarity in the overall objectives of the Sugar Act and the Fair Labor Standards Act. Obviously the Fair Labor Standards Act had as its objective the enforcement by compulsive means, applied to the industries to which the act was directed, of a certain kind of governmental policy in the field of labor relations. Equally obviously the Sugar Act taken as a whole contemplated the achievement of certain objectives in the sugar industry in general.

But there can be no question that it would be fair to say, for example, that the child labor provisions of the Fair Labor Standards Act constituted an implementation of a congressional policy against the employment of children of tender years; and by the same token, the child labor provisions of section 301(a) of the Sugar Act reflected an implementation of congressional policy against the employment of children of tender years. Therefore, it is self-evident that there is a similarity in the objectives of section 301(a) of the Sugar Act (as distinguished from the overall objectives of the Sugar Act) and the objectives of the child labor provisions of the Fair Labor Standards Act.

By the same token it appears to be equally clear from the language of the statute, the context in which the section appears, and the language of the President's message, that the wage rate provisions of section 301(c)(1) share with the minimum wage provisions of the Fair Labor Standards Act the "similarity" of objective that both are aimed at the protection of the employee.

These basic facts with respect to the purposes of section 301(c) reflect one very fundamental respect in which the wage determinations made over the years by the administrators of the Sugar Act have failed to carry out the statutory mandate. In this connection, we are not unmindful of the portion of section 301(c)(1) which directs the Secretary to "take into consideration" certain standards established under previous legislation. That direction to the Secretary bears upon the question of how one arrives at a determination as to what constitutes a "fair and reasonable" wage rate; but it does not alter the basic fact as to the objective and purpose for which the determination is required.

If, for example, the Secretary is to take into consideration on the one hand the fact that a higher wage rate may adversely affect the profits of the employer, and on the other hand, the fact that a lower wage rate would mean malnutrition and disease to the employee and his family, the Secretary may be faced with an irreconcilable conflict between the two considerations—but if he brings to bear upon his analysis an acceptance of the purpose of section 301(c), namely, to protect the employee against unconscionable working conditions, the resolution of that conflict may be substantially different from the result which would be reached if the Secretary views his objective as one involving solely the promotion of maximum profit for the employers' operations.

Recognizing, therefore, the proper purpose and objective of this section of the statute, it is useful to turn next to a consideration of the meaning of "fair and reasonable."

Section 301(c)(1) as presently written, directs the Secretary to "take into consideration" certain standards established under a number of sections of previous legislation. It is to be noted that the Secretary was not told that he is bound by those standards. Indeed, in the very nature of things he could not have been told that he was bound by such standards because, so far as we have been able to ascertain, the determinations which the Secretary made under previous legislation were not at all dealing with the same thing that the Secretary is dealing with under the Sugar Act. Nowhere in the previous legislation under which the Secretary operated was he required to arrive at a wage rate which was to be "fair and reasonable." Previous legislation dealt solely with the fixing of "minimum wages" (7 U.S.C. 608a(3)). The direction specifically to determine a "fair and reasonable" wage appears for the first time, so far as we are aware, in the Sugar Act of 1937 (Sept. 1, 1937, C. 898, 50 Stat. 903).

Why did Congress depart from the language of the previous legislation which had not specifically called for a "fair and reasonable" wage and adopt such language in the Sugar Act of 1937 and thereafter? What did the words "fair and reasonable" mean to the Congress of 1937 which enacted the Sugar Act?

It is in this connection that it is fair to examine the progress and ultimate formulation of another piece of legislation, the Fair Labor Standards Act which was considered and enacted by the same Congress. On May 24, 1937, the President of the United States sent to Congress a message dealing with the matter of minimum wage legislation and on the same day a proposed bill in line with the President's message was introduced in both Houses of Congress (75th Cong., 1st sess., S. 2457 and H.R. 7200). Thus the issues involved in the consideration of the law which ultimately became the Fair Labor Standards Act of 1938 were actively before Congress at the time when it was in the process also of consideration and enactment of the Sugar Act of 1937.

Indeed, a version of the fair labor standards bill considerably revised and modified passed the Senate on July 31, 1937, and this Senate bill, further modified, was reported by the House committee on August 6, 1937. The bill did not reach the stage of enactment at the time of adjournment of Congress in 1937 and the controversy raged on into 1938 before the final compromise measure was ultimately passed. The important thing for purposes of present analysis is, however, that the issues involved in the discussion of the Fair Labor Standards Act were actively before Congress at the very time when the Sugar Act of 1937 was in process of passage. It is in this connection that the background and ultimate language of the Fair Labor Standards Act casts considerable light on the meaning and intent of the phrase "fair and reasonable" as used in the Sugar Act.

The original bill on the subject of minimum wages presented to Congress in the spring of 1937 would have established a basic minimum—a floor—which was not described as "fair" but rather as not "oppressive." (Sec. 2(a)(10).) The exact amount of this minimum was not set forth in the bill as introduced but was left blank to be filled in in the course of congressional deliberation. Parenthetically, in this connection it is interesting to note that the concept of a basic standard below which lay the area of "oppressive" practices and which by no means was viewed as a "fair" level was retained in the reference in the Fair Labor Standards Act as ultimately enacted to "oppressive child labor." (Sec. 3(1).)

What is interesting is the fact that the original bill which was in progress of debate and amendment at the time when the Sugar Act was in process of enactment embodied the concept and understanding that the determination of "fair" standards involved a process of establishing by administrative processes wage rates higher than the minimum level which was to be fixed by Congress as merely being not oppressive. In other words, there was to be a Labor Standards Board under the minimum wage bill as originally proposed which would have determined a "fair" wage over and above the minimum nonoppressive figure to be fixed by Congress.

This "fair wage" was defined in the minimum wage law as originally proposed to Congress in the spring of 1937 as a wage "fairly and reasonably commensurate with the value of the service or class of service rendered." The bill also went on to indicate documents which the proposed Labor Standards Board was to take into account in applying this definition of a "fair wage."

It is not necessary for purposes of the present analysis to go into the details of the factors which would have entered into the determination of a fair wage under the originally proposed minimum wage law. Actually in the final enactment of the Fair Labor Standards Act of 1938, as we shall indicate in a moment, the entire formulation was very substantially changed. The history of that change will indicate that Congress in the Fair Labor Standards Act decided that it merely wanted to fix the minimum nonoppressive levels but did not wish to provide, insofar as the operation of the Fair Labor Standards Act was concerned, for determinations of these fair levels which would be above the minimum levels specified in the legislation. And it was at the very time when Congress was in the process of making that decision with respect to the Fair Labor Standards Act that the same Congress decided with respect to the Sugar Act of 1937, that it would require recipients of the governmental benefits to pay a fair and reasonable wage.

It is inconceivable that a Congress which fully understood the concept of a "fair wage" then under debate in connection with one statute as a wage rate above certain minimum nonoppressive levels would have in mind anything different in its understanding of the term "fair and reasonable" wage in the enactment of another statute at the same time.

The significance of this comparison between the minimum wage bill in its original form and the langauge of the Sugar Act was further emphasized by the nature of the changes made in the minimum wage law as it was reported out of committee and as it was passed by the Senate. It should be remembered in this connection that the committee's reports in both Houses, as well as

the passage of the early version of the bill in the Senate, all took place immediately prior to enactment of the Sugar Act of 1937.

In committee, both in the House and in the Senate, and in the form in which the bill was passed by the Senate at the end of July 1937, all reference to a fair wage was eliminated and only an oppressive wage (sec. 2(a)(8)) of the revised bill was referred to. In this connection, the minimum which the Board was thus to establish as the line dividing the oppressive wage from the nonoppressive wage was referred to as a level as nearly adequate as is economically feasible, without curtailing opportunity for employment, to maintain a minimum standard of living necessary to for health, efficiency, and general well-being.

It is thus important to notice the basic nature of the change made in Congress between the original minimum wage bill and the bill which was reported out of committee in the spring and early summer of 1937. The original bill distinguished between a wage which was merely not oppressive and a higher wage which was a fair wage. The revised minimum wage bill eliminated the reference to a fair wage and retained a reference only to the lower level which was merely not oppressive and defined that level as one related to a minimum standard of living necessary for health, efficiency, and general well-being.

It was at the very time when Congress was in the process of making this kind of careful distinction between a wage which is fair and a lower wage which is merely calculated to maintain a minimum standard of living necessary for health, efficiency, and general well-being that the same Congress used in the Sugar Act the words "fair and reasonable" as the standard to be applied under section 301(c).

In the finally enacted version of the Fair Labor Standards Act, which did not reach the stage of ultimate passage until June 14, 1938, the reference to "maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers" was retained (Fair Labor Standards Act, sec. 2(a)). No further reference to a fair wage appears in the act.

Even in the final version of the minimum wage law, moreover, Congress recognized that what it was establishing in the minimum wage law was not anything which could be regarded as a fair or reasonable wage. In section 8 of the act Congress was careful to emphasize the fact that the act established the absolute bare minimum so that nothing in the act was to excuse noncompliance with higher levels required under other laws. Nor was anything in the act to justify any employer in reducing any wage paid by him which might be in excess of the applicable minimum under the act.

There is no indication in the history of wage determinations by the Secretary of Agriculture under the Sugar Act that the Secretary has ever given any consideration to this legislative context in which the Sugar Act was enacted. That context indicates quite clearly that the words "fair and reasonable" necessarily meant to the Congress of 1937 something in excess of a wage which was merely not oppressive. The Congress of 1937 and 1938 viewed a wage as being not oppressive. If it was a wage which merely permitted the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers. To the Congress of 1937 a wage which was fair and reasonable would obviously be a wage higher than the level necessary merely for the maintenance of the minimum standards of living necessary for health, efficiency, and general well-being.

From this legislative history it would appear there is substantial ground to assert that a wage level which actually falls below the level necessary for the maintenance of that absolute minimum standard which merely escapes being oppressive cannot conform to the standard of being a wage which is fair and reasonable.

Section 301(c) was enacted for the protection of the workers in the sugar fields. It has not been so interpreted up to this point. Section 301 requires the establishment of a fair and reasonable wage level. Up to this point there is no indication that any analysis has been made to be certain as to the level at which a wage rate can be said to be fair and reasonable. The Congress which enacted section 301(c) understood the term "fair and reasonable" as relating to a wage which was higher than one which was merely not oppressive. Up to this point no Secretary of Agriculture appears to have given effect to that understanding.

The PRESIDING OFFICER. The yeas and nays have been ordered, and the clerk will call the roll——

Mr. BENNETT. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. BENNETT. Madam President, I ask unanimous consent that further proceedings under the quorum call be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment of the Senator from Minnesota [Mr. McCARTHY]. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from North Dakota [Mr. BURDICK], the Senator from Connecticut [Mr. DODD], the Senator from Alaska [Mr. GRUENING], the Senator from Hawaii [Mr. LONG], the Senator from Washington [Mr. MAGNUSON], and the Senator from Michigan [Mr. McNAMARA] are absent on official business.

I further announce that the Senator from New Mexico [Mr. CHAVEZ] is necessarily absent.

On this vote, the Senator from North Dakota [Mr. BURDICK] is paired with the Senator from New Mexico [Mr. CHAVEZ]. If present and voting, the Senator from North Dakota would vote "yea" and the Senator from New Mexico would vote "nay."

On this vote, the Senator from Connecticut [Mr. DODD] is paired with the Senator from Kansas [Mr. PEARSON]. If present and voting, the Senator from Connecticut would vote "yea," and the Senator from Kansas would vote "nay."

I further announce that, if present and voting, the Senator from Alaska [Mr. GRUENING], the Senator from Hawaii [Mr. LONG], and the Senator from Michigan [Mr. McNAMARA] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from Iowa [Mr. HICKENLOOPER] and the Senator from California [Mr. KUCHEL] are necessarily absent.

The Senator from Kansas [Mr. PEARSON], the Senator from Massachusetts [Mr. SALTONSTALL], and the Senator from Wisconsin [Mr. WILEY] are detained on official business.

On this vote, the Senator from California [Mr. KUCHEL] is paired with the Senator from Wisconsin [Mr. WILEY]. If present and voting, the Senator from California would vote "yea," and the Senator from Wisconsin would vote "nay."

On this vote, the Senator from Kansas [Mr. PEARSON] is paired with the Senator from Connecticut [Mr. DODD]. If present and voting, the Senator from Kansas would vote "nay" and the Senator from Connecticut would vote "yea."

The result was announced—yeas 29, nays 57, as follows:

[No. 100 Leg.]

YEAS—29

Aiken	Hartke	Morse
Bartlett	Hickey	Muskie
Beall	Humphrey	Neuberger
Byrd, W. Va.	Javits	Pastore
Case	Keating	Pell
Clark	Kefauver	Scott
Douglas	Long, Mo.	Smith, Mass.
Engle	Mansfield	Williams, N.J.
Fong	McCarthy	Young, Ohio
Hart	Metcalf	

NAYS—57

Allott	Ellender	Moss
Anderson	Ervin	Mundt
Bennett	Fulbright	Murphy
Bible	Goldwater	Prouty
Boggs	Gore	Proxmire
Bush	Hayden	Randolph
Butler	Hill	Robertson
Byrd, Va.	Holland	Russell
Cannon	Hruska	Smathers
Capehart	Jackson	Smith, Maine
Carlson	Johnston	Sparkman
Carroll	Jordan	Stennis
Church	Kerr	Symington
Cooper	Lausche	Talmadge
Cotton	Long, La.	Thurmond
Curtis	McGee	Tower
Dirksen	Miller	Williams, Del.
Dworshak	Monroney	Yarborough
Eastland	Morton	Young, N. Dak.

NOT VOTING—13

Burdick	Kuchel	Pearson
Chavez	Long, Hawaii	Saltonstall
Dodd	Magnuson	Wiley
Gruening	McClellan	
Hickenlooper	McNamara	

So Mr. McCARTHY's amendment was rejected.

Mr. KERR. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. ELLENDER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. FULBRIGHT. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. FULBRIGHT. Have the yeas and nays been ordered on the passage of the bill?

The VICE PRESIDENT. They have not.

Mr. FULBRIGHT. Mr. President, I ask for the yeas and nays on the passage of the bill.

The yeas and nays were ordered.

MIGRATION AND REFUGEE ASSISTANCE ACT OF 1962—CONFERENCE REPORT

Mr. FULBRIGHT. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 8291) to enable the United States to participate in the assistance rendered to certain migrants and refugees. I ask unanimous consent

for the present consideration of the report.

The VICE PRESIDENT. The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of June 26, 1962, pp. 10899–10900, CONGRESSIONAL RECORD.)

The VICE PRESIDENT. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. FULBRIGHT. Mr. President, H.R. 8291 has been in conference since September 21, 1961, but it was only on June 19, 1962, that the House appointed conferees. I am happy to report that the differences have been resolved to the full satisfaction of the Senate conferees. The House of Representatives approved the conference report on today, 1962.

The bill as it has been agreed upon by the Senate conferees and the House would do three things:

First. Lift out of the foreign aid legislation and establish in a separate statute authority for the President to participate in three programs: (a) Contributions to the Intergovernmental Committee for European Migration—ICEM; (b) contributions to the United Nations High Commissioner for Refugees—UNCHR; and (c) the U.S. escapee program—USEP.

Second. Establish specific authority to assist Cuban refugees who have come to the United States. Heretofore this assistance has been carried out through contingency authority and funds under the foreign aid program.

Third. Provide the President with authority to meet unexpected refugee, escapee, and migration problems by using not to exceed $10 million in any fiscal year out of his foreign aid contingency fund.

In addition, the bill contains authority for the President to delegate his responsibilities under it to appropriate officers of the U.S. Government, to allocate funds to such officers to operate the programs, and to expend funds for necessary operating and administrative purposes.

The bill in no way changes the law pertaining to admission of aliens to the United States.

Because it had been thought that the House was not going to appoint conferees on H.R. 8291 the Senate on June 7, 1962, passed S. 2996, the foreign aid bill, which contained as part V a proposed Migration and Refugee Assistance Act of 1962 in the form substantially similar to the Senate version of H.R. 8291. As a result of the conference, I am glad to say that the language of the conference bill is substantially identical to part V of S. 2996 as the Senate passed it with the addition of the provision requiring Senate confirmation of the head of the Bureau of Security and Consular Affairs in the Department of State which was a part of the Senate version of H.R. 8291.

Mr. President, I move that the Senate concur in the conference report on H.R. 8291.

The VICE PRESIDENT. The question is on agreeing to the conference report.

The report was agreed to.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, may I inquire of the distinguished majority leader what is proposed for the rest of the day, tomorrow, and I should include, I think, the remainder of the week?

Mr. MANSFIELD. Mr. President, before we get to an answer to the questions raised by the distinguished minority leader, I should like at this time to state to the Senate that, according to the best information I have, the Senator from Minnesota [Mr. MCCARTHY] will offer another amendment on which he intends to ask for the years and been granted by the Senate on the passage of the bill. In view of the particular circumstances, and with the assent of Senators, I should like to make a unanimous-consent request in two parts:

First, that when the Senate adjourns tonight, it adjourn to meet at 10 o'clock tomorrow morning; second, that the Senate vote on the McCarthy amendment at 11 o'clock tomorrow morning.

Mr. KERR. Mr. President, reserving the right to object, is it possible to ascertain if there are other amendments to be acted upon?

Mr. MANSFIELD. To the best of my knowledge, the McCarthy amendment is the only one. If there are any others under consideration, the leadership would like to know it at this time.

Mr. FULBRIGHT. Mr. President, I am contemplating an amendment, but I have not yet decided upon it.

Mr. KERR. Mr. President, would the majority leader make a unanimous-consent request that we complete the other amendments on the bill tonight, and since the yeas and nays have been ordered on the passage of the bill, that the Senate proceed to have that vote, and then act on the McCarthy amendment tomorrow?

Mr. MANSFIELD. Mr. President, if it was within my power to assent——

Mr. KERR. Mr. President, could not the majority leader ask for unanimous consent?

Mr. MANSFIELD. Not on that basis.

Mr. MCCARTHY. Mr. President, I would object to having the committee move to the floor of the Senate.

Mr. FULBRIGHT. In fact, that is what the committee did.

Mr. MANSFIELD. If other amendments are to be proposed, I think it would be wise for the leadership to withdraw the request. I was making the request as an accommodation. If it cannot be agreed to on that basis, it might be well to complete consideration of the pending bill tonight.

If possible I would like to know definitely, not what amendments will be offered, but on what amendments the yeas and nays will be requested. So far as I know, the Senator from Minnesota has the only amendment of that kind. He intends definitely to ask for the yeas and nays on his amendment.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. PASTORE. Could not the majority leader try now to obtain a unanimous-consent agreement on all amendments and on final passage of the bill?

Mr. MANSFIELD. Let us say a half hour on each side.

Mr. DIRKSEN. I respectfully suggest to the distinguished majority leader, not knowing what other amendments there are, that consent be requested for 10 minutes on a side on any other amendments.

Mr. MCCARTHY. Excluding my amendment?

Mr. DIRKSEN. Yes.

Mr. MANSFIELD. That would be acceptable to me. I make such a request.

Mr. FULBRIGHT. I have a statement that will take more than 10 minutes. Does the Senator from Montana have in mind making that consent request effective tonight?

Mr. MANSFIELD. No; tomorrow.

Mr. SMATHERS. Starting tomorrow.

The VICE PRESIDENT. Will the Senator from Montana restate his request?

Mr. MANSFIELD. The request is that unanimous consent be given that on all other amendments at the conclusion of the yea-and-nay vote on the McCarthy amendment at 11 o'clock tomorrow—if that request is granted—there will be allowed 10 minutes to a side in the consideration of other amendments at that time.

Mr. MORSE. Mr. President, reserving the right to object—and I shall object—I point out that I do not believe that what is proposed in regard to a piece of legislation of such great importance as is this piece of legislation is a sound way to proceed. I do not believe there is any way of knowing tonight what may develop by way of proposed amendments. Amendments of major importance may be proposed. I believe that, on a bill of such importance as this bill, to limit debate to 10 minutes on each side is not the way to pass legislation in the Senate. I therefore object.

The VICE PRESIDENT. Objection is heard.

Mr. MANSFIELD. The Senator from Oregon has a valid point. The majority leader has no other choice but to continue to hold the Senate in session tonight. In response to the question raised by the distinguished minority leader, relative to the legislative schedule of the Senate for the next few days, I should like to say that some progress has been made toward concluding action on bills extending the life of laws that expire on June 30. We have considered and passed the corporate and excise tax extension, the Export Control Act extension, and the Defense Production Act extension; and we are now considering the Sugar Act extension.

While some of these bills must still go through conference, the fact that they have passed their initial test in the Senate is ground for some satisfaction. I congratulate the chairman and the ranking majority member of the Committee on Banking and Currency [Mr. ROBERT-

SON and Mr. SPARKMAN], the chairman of the Committee on Finance [Mr. BYRD], and the Senator from Oklahoma [Mr. KERR].

Tomorrow, if we conclude with the debate on the extension of the Sugar Act, we hope to be able to consider and pass the public debt increase bill. I anticipate that there will be at least one rollcall vote on that measure.

After the conclusion of the debt limit bill, the leadership intends to call up the Renegotiation Act extension, which should be reported on Thursday or Friday; the metal scrap extension bill, which I understand has been reported; and possibly Calendar No. 1548, S. 2560, amending the Interstate Commerce Act relative to certain transportation practices. Consideration of these measures should occupy the Senate through Friday.

It had been the hope of the leadership that the Senate might then proceed to consider Calendar No. 1549, H.R. 10606, the welfare bill. However, this will not be possible since the Senator from Oklahoma [Mr. KERR] has been occupied throughout this week in the Finance Committee on other urgent items of business. As an illustration, he has been managing the present Sugar Act extension proposal, which is being considered by the Senate. He has been designated as the Senator in charge of the welfare bill, H.R. 10606. He has not had an opportunity to prepare an opening statement on the measure.

Consequently, I announce that it is the leadership's intention to go over from Friday until Monday at 10 a.m., when debate will be commenced on the welfare bill.

As I have previously stated, I expect amendments to be offered relative to the medicare question. I do not wish to speculate on the length of the debate on that subject.

We shall take a holiday on Wednesday, July 4, and return to business on July 5. Following action on the welfare bill, we intend to return to the consideration of the communications satellite proposal.

I thank the Senator from Arkansas for yielding.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield to the Senator for the purpose of addressing a question to the majority leader on the statement he has made.

Mr. DWORSHAK. What does the leadership plan about the trade extension program?

Mr. MANSFIELD. That bill is in the House, and is being considered today. It is anticipated that it will be voted on this week. After action is concluded there—and I hope favorably—it will be taken up by the Committee on Finance, as the Senator from Idaho well knows.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. BENNETT. This is a parliamentary inquiry. Did not the Senate agree to the first unanimous-consent request of the Senator from Montana?

The VICE PRESIDENT. It was agreed that the Senate will meet at 10 o'clock tomorrow.

Mr. BENNETT. That is the only agreement?

The VICE PRESIDENT. That is correct.

AMENDMENT AND EXTENSION OF SUGAR ACT OF 1948

The Senate resumed the consideration of the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended.

PRIVILEGE OF THE FLOOR FOR WALTER PINCUS

Mr. FULBRIGHT. I ask unanimous consent that Mr. Walter Pincus be allowed the privilege of the floor during the remainder of the debate on the sugar bill while I am making a speech.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. FULBRIGHT. Mr. President, for the third time in 2 years, the Sugar Act comes to the floor of the Senate under an urgent deadline. In 1960, after passage of a short extension, an amendment to withhold quotas from the Trujillo regime in line with our foreign policy was debated and killed on the final day of the session; last year an extension of the Sugar Act was forced on us 2 days before the legislation was scheduled to expire. And today with only a few days remaining before the law is again scheduled to expire, and with but 3 days of public hearings, we in the Senate are asked to consider the passage of a piece of legislation that would substantially affect our foreign policy and over a period of 5 years cost consumers some $2½ billion in sugar subsidies.

Sparked mainly by Cuba's entering the Communist orbit, great changes have taken place in the sugar industry both at home and abroad over the past 2 years. We in the Senate have a duty to study this legislation most carefully for its ultimate ramifications will be felt by farmers in Costa Rica and Colorado, consumers in Santo Domingo and Seattle, and policymakers in almost every capitol in this hemisphere.

Sugar has found a unique place in our farm program. In 1934, when the Jones-Costigan Act was first passed by Congress, the administration intent was clearly indicated in President Roosevelt's sugar message to the Congress. The President pointed out that at the time the annual gross value of the domestic beet and sugar crop was approximately $60 million, but that the tariff then in effect to protect this $60 million crop annually cost the consumer $200 million in higher sugar prices. It was suggested sarcastically that sugar growers be paid for not producing at all, a move which at that time would have saved consumers $140 million. President Roosevelt believed the domestic sugar industry should be protected, but strongly added that further legislative assistance should come in such a manner as "not to stimulate further expansion of this necessarily expensive industry." Heavy emphasis was placed on the effort to hold down uneconomic domestic sugar production. The Congress in passing the Jones-Costigan Act accepted the President's program. They limited the bill's purpose to inclusion of "sugarbeets and sugarcane as basic agricultural commodities under the Agriculture Adjustment Act." When the Sugar Act was amended in 1937, its purpose was expanded "to regulate commerce among the several States and within the territories and possessions of the United States and with foreign countries; to protect the welfare of consumers of sugar and those engaged in the domestic sugar producing industry; to promote export trade of the United States; to raise revenue; and for other purposes."

In all the additional legislating that has been done on this act, the only change that has been made in the purpose clause was, significantly, to drop the phrase "to raise revenue," in 1948. With this legislative history and with a law on the books whose purpose is clearly in part stated as only "to protect * * * those engaged in the domestic sugar producing industry," I have been amazed to read that the supporters of this legislation as indicated in the House report believe this act is intended to "make it possible, as a matter of national security, to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer penalizing device of a high protective tariff." We have certainly come a long way from President Roosevelt's original dictum that the act was to limit rather than promote this uneconomic domestic industry.

It is normal, when the sugar bill is before us, to be told by one of its supporters that it is a complicated piece of legislation and too difficult to explain. During a recent debate on the other side of the Capitol, Members of the House were urged to accept the bill "on faith."

Mr. President, this is a complicated bill but I believe it is important enough to be explained in detail.

Sugar is our most protected and most controlled commodity and it is this piece of legislation that sets up the machinery. No other food product has a direct cash subsidy to growers, quota allotments and tariff protection.

Under this act, the Secretary of Agriculture has the power to:

Determine the amount of sugar that may be sold in the United States in any one year;

Determine the price at which this sugar is to be marketed;

Determine the amount of sugar that can be marketed by each domestic processor;

Determine the amount of sugar that can be produced on each individual domestic farm;

Determine the fair price which processors must pay growers for cane or beets;

Determine minimum wages which growers must pay fieldworkers in each domestic area.

During the House hearings on the sugar bill, Agriculture Secretary Freeman was asked how the sugar bill compared to the administration's other farm legislation. Secretary Freeman replied:

I would say that the amount of control, if you wish to use that word, that is involved in the Sugar Act is very substantially greater than the legislation pending before the Congress in the General Farm Act. The Sugar Act is supply management, pure and simple, with a lot more than there is in the program before the Congress right now.

Mr. President, last Tuesday the ranking Republican on the House Agriculture Committee took the floor during debate and said the following:

Mr. Chairman, this is a most controversial and dangerous piece of legislation. It will make the Secretary of Agriculture a czar and for all practical purposes will make it necessary for the American farmer to procure a Federal license in order to operate his own farm.

The distinguished gentleman was addressing himself to the administration's farm bill which he opposed—less than an hour after he had cast a favorable vote for the Sugar Act which the Secretary of Agriculture himself had said contained "substantially greater" controls.

And how did the gentleman describe his support of the Sugar Act? He told the House:

In spite of many misgivings about the legislation now under consideration, it is about the best the Committee on Agriculture can offer under prevailing circumstances. I therefore expect to vote for the bill.

Mr. President, 115 Republicans voted for the Sugar Act with the toughest controls of any piece of farm legislation. Two days later only one Republican voted for the administration's farm bill. Why, I ask, is there this kind of shifting support for the sugar bill? The Democrats, I might add, were consistent: 204 voted for the sugar bill; 204 voted for the farm bill.

The sugar bill certainly should not have the votes of the consumers. We have been told in the past and will, I am sure, be told again, that the sugar program down through the years has brought a stable price to the consumer.

What we are not told is that the program, as it currently is constituted, costs consumers an added $582 million each year for this price "stability." This $582 million is composed of the differential from the world market price—$446 million—the protective tariff on incoming sugar—$39 million—and the domestic excise tax on all consumed sugar—$97 million.

Looking at this figure another way, domestic grower gross incomes collectively are estimated to run about $500 million under the proposed Sugar Act revisions. Their net income on this figure is set at about $150 million. If the purpose of the sugar legislation is to protect domestic growers, it would appear that were consumers to pay these growers their $150 million profit and then be permitted to buy sugar at the world price they would be saving themselves almost $430 million a year.

As for the "stability" in sugar prices, it is not to be found in the price consumers pay for sugar in their local markets. In 1961, when the price for sugar on the world market dropped to its lowest level in years, retail sugar prices in major U.S. cities rose to their highest levels since the act was passed. The average price per pound for 1961 was 11.8 cents, up 17 percent from 10 years ago and more than double the domestic retail price when the act was first passed in 1934.

If the consumer is not benefiting from this act, who is?

The answer to that question can be found in the various statistical reports published on the sugar industry; but it shows up more openly in the feverish rush by domestic growers to expand U.S. beet and cane sugar production acreage. The latest Department of Agriculture "Sugar Situation" dated March 1962, describes it this way:

The pressure for more beet and cane acreage in the continental area reflects the fact that total returns (price received plus direct Governmental payments) have been maintained at a favorable level, while prices for most competing crops have declined. * * * Providing certain conditions are met, some return from the acreage planted to sugar beets and sugar cane is guaranteed under the terms of the Sugar Act, no matter what might happen to the crop. Thus, the element of risk is reduced.

According to the Department of Agriculture's special sugar study concluded last year:

Processors and refiners have operated profitably and earnings have been relatively stable. In recent years, earnings of selected beet sugar processors and cane sugar refiners as a percentage of net worth have averaged around 7 to 9 percent.

Mr. President (Mr. LONG of Missouri in the chair), it is the uneconomic but protected grower who has profited most from this act. According to the House Agriculture Committee report on the bill before us:

Growers' gross income has increased substantially since the program began in 1934. This larger income is the result not only of the influence of generally higher and more stable prices for sugar but also of an increase in the growers' share of sugar returns. * * * In recent years, growers' income per ton of sugarbeets and sugarcane has been well over twice as much as during 1935–39.

Let us remember that during the same period the price of retail sugar to consumers also doubled. There are an estimated 45,000 domestic farms on which sugar crops are grown; and thus only 45,000 farmers benefit from a program that costs the 185 million other Americans over $500 million in higher sugar prices.

With the sharp rise in domestic grower acreage and income, there has been a sharp consolidation in the size and number of individual farms, but this has drawn little attention. According to the special sugar study, during the decade from 1950 to 1960, when the total amount of sugarbeet acreage under cultivation rose 20 percent, the number of individual farms involved in such cultivation dropped from 36,700 to 25,200, or a sharp 31 percent. The story on mainland cane is even more revealing. Over the same 10-year period, cane-planted acreage rose a slight 3 percent, but the number of farms declined 55 percent, to only 2,700.

Mr. President, while we have been holding down the acreage available for other crops, such as cotton, rice, and tobacco, in particular, there has been a virtual explosion in the amount of acreage available for sugar production. In the State of Florida, for example, during the past 3 years the number of mills has increased, according to my information, from 3 to 11; and whereas the acreage there last year was 61,000 it is estimated that this year it will be approximately 135,000, and it is rising very, very sharply. In other words, while we have been holding down the acreage of most of the other major domestic crops which are of importance, we have had this dramatic explosion in the increased acreage and production of sugar—probably the most inefficiently produced of all major agricultural commodities produced in the United States.

None of these domestic faults of the sugar program—higher consumer prices in effect to support growing domestic production demands—creates the diplomatic problems to our country which are created by the international implications of the current act and the House-proposed sugar legislation amendments.

World consumption of sugar amounts to about 57.5 million tons, of which 40 million tons are consumed in the countries where they are produced. This leaves 17.5 million tons, or little more than 30 percent of total world production, to enter world trade. About 60 percent of current world-trade sugar moves under preferential programs such as the Commonwealth Sugar Agreement and the United State sugar program. The remaining 40 percent—or about 7 million tons—makes up what is called the world market.

The United States purchases about 22 percent of the sugar flowing in world trade. Its market is highly prized because sugar sold here up to this time has brought a price equal to that received by high-cost domestic United States sugar producers. The difference between the world price and the U.S. price is called the quota premium, and currently it amounts to about $56 a ton.

Prior to 1960, United States purchases of foreign sugar were for the most part limited to Cuba and the Philippines. The Philippines received a special quota and premium, thanks to its special relationship with the United States, growing out of our historic relationship with the Philippine Islands.

Cuba, the supplier of over 3 million tons of sugar a year, or 88 percent of all United States foreign sugar imports, gained her premium place in the market for both business and historic reasons. From a supply standpoint, she provided an efficient and nearby source of raw sugar. From a trade standpoint, she used the dollars earned from sugar to finance almost $500 million worth of purchases from the United States, each year. From an historic point of view, we owed the Cubans a great debt because of sugar. When the Second World War broke out ,the Cubans were caught embarking on a new program of economic diversification—in effect, an attempt to get away from a one-crop sugar economy. With our sugar resources in the Philippines lost to the Japanese, we needed sugar. Our distinguished colleague, the Senator from New Mexico [Mr. ANDERSON] then Secretary of Agri-

culture, went to Cuba and encouraged that Government to drop its diversification plans and immediately expand its sugar production by 600,000 tons annually, to help our war effort. Not only did they comply, but they also agreed to sell all their new production to us—thereby losing out on the opportunity to develop other markets. To complete the story, the Cubans did all this, and then charged us only half the going world sugar price, all for a guarantee that their position in the United States market would always be maintained.

This was done—up until the time of Castro. When, in 1960, President Eisenhower decided to withhold Cuba's United States sugar quota, there was an immediate rush from foreign suppliers—much as there is now a rush of domestic growers—to get into the rich United States market. The economics of it were such that no matter how inefficient one was as a world sugar producer, his costs were still way below those of the protected, uneconomic domestic U.S. producers; so if one was able to market his sugar in the United States, he was bound to make a profit.

I should like to stress the fact that President Eisenhower decided to withhold and temporarily redistribute the Cuban quota; he did not cancel it or reduce it.

The Cuban quota was, at that time, and should remain, today, the bulk of U.S. foreign sugar imports. There were a few of us, last year, who believed that if the Cuban quota was redistributed among other sugar-producing countries in this hemisphere, vested interests would be built up, and that would make it difficult to restore the quota to Cuba when she broke free from the Communist bloc. Indeed, we feared that in some cases, those vested interests might even work for Castro's continuance in power, as a means of protecting their valuable U.S. quota rights. In addition, we believed that the pressures which would develop from dozens of countries, all of them our friends, seeking a portion of the premium U.S. sugar market could lead only to diplomatic difficulties.

As a result of all these considerations, last year the Senator from Illinois [Mr. DOUGLAS] and I proposed to the sugar bill an amendment which would have removed the premium from the redistributed Cuban quota. That amendment was defeated on the Senate floor, thanks, in part to misguided State Department opposition; and it is sad to say that our worst fears about Sugar Act diplomatic problems have come about, and are, in fact, confronting us today. According to State Department officials, representations for sugar quotas have come from every cane-producing area in the free world, and from a number of beet-producing countries of Western Europe. And, what is worse, with sugar already in world surplus, a number of nations in this hemisphere have gone ahead and have expanded their own inefficient sugar-producing capacities, in anticipation of being able to sell their sugar in the premium-laden U.S. market.

Two examples, I believe, will show the pattern.

Guatemala has no basic quota under the Sugar Act. Prior to 1960, according to the Department of Agriculture, this small country was not considered a sugar exporter. When the Cuban quota was being redistributed, the Guatemalans, at their initiative, requested and were given a 17,000-ton allotment. During 1960, they were only able to deliver 9,590 tons of this, blaming in part a hurricane which destroyed part of their crop. Despite the fact that they were continually warned that the Cuban redistribution was not to be considered permanent, the Guatemalans went ahead and expanded their relatively high-cost sugar production. For 1962, they asked for a 25,000-ton quota and were given a 5,000-ton allocation for the first half of the year. Again disregarding warnings that the Cuban redistribution was only temporary, the Guatemalans again expanded plantings and came to Washington seeking an Export-Import Bank loan for a new sugar mill. The request was turned down after the Guatemalans sought to justify the mill as economical based on the premium price they expected their sugar to bring on the U.S. market.

When President Kennedy announced his program for global quotas, the Guatemalan press and certain members of the Government started a campaign against this U.S. policy. They cited their opposition to Castro, for the most part, as the basis for their being permitted to continue to ship sugar to the United States. According to current reports, they have a surplus of 22,000 tons of high-cost sugar which can only be sold at a profit on the U.S. market.

The situation became so intense that the U.S. Ambassador, John Bell, was forced to call a press conference to explain our position.

The Guatemala case can be multiplied almost 10 times over, using countries that have for the first time entered the rich U.S. sugar market with a portion of the redistributed Cuban quota. I am told there has not been one country yet that has indicated satisfaction with its treatment with regard to sugar.

But there can be no better example of the diplomatic problems that arise when Congress tries to parcel out high-premium U.S. sugar quotas than the apparent crisis that has developed in relations between the United States and the struggling new Government of the Dominican Republic.

According to a dispatch from Santo Domingo in Tuesday's New York Times:

> In view of officials on both sides, the Alliance is dead in the Dominican Republic unless the sugar quota problem is remedied. Failure to do so could lead to potent anti-Americanism and inroads by Communist groups loudly advocating violent revolution, officials assert.

What has stirred the young Dominican nation so?

It seems that the Dominican Government believes that the windfall shipments of premium-laden sugar from the redistributed Cuban quota which were allotted to the Dominican Republic the first half of this year were to be permanent. Running at an annual rate of more than 900,000 tons, the sugar shipments meant dollar earnings of over $100 million—part of which was a quota premium subsidy of over $45 million. The House of Representatives version of the Sugar Act passed last week gave the Dominican Republic a 200,000-ton basic quota and 150,000 tons from the redistributed Cuban quota, for a total of 350,000 tons yearly.

Apparently the present governmental crisis developed when the Dominicans decided that the House bill in effect cut their sugar shipments to the United States by 60 percent. In an effort to recoup what they believe to be their rightful share of the U.S. sugar market, the Dominicans have threatened to reassess their participation in the Alliance for Progress. In addition, they have sent a delegation of Government officials to Washington to lobby their cause before Congress the administration, and the local press.

The facts of the Dominican sugar situation are as follows:

The Dominican Republic, at current consumption levels, has a basic U.S. sugar quota of 96,000 tons.

For the first half of 1962, the Dominicans were allocated one-half their basic quota—48,158 tons—and an additional 431,041 tons of redistributed Cuban quota. They were informed, repeatedly, I am told by the Department of State, that the reallocated Cuban quota was not in any way to be considered permanent.

Nonetheless, because the Cuban quota came to them with a $56-a-ton premium above world prices, the Dominicans have apparently gone ahead, ignoring the State Department warning, and made their development plans based on sugar receipt from the premium U.S. market.

The Dominicans believed they could afford to ignore the State Department because the Sugar Act has made the Congress—ill equipped as it is for the job—the ultimate arbiter of sugar distribution. It is sad to say that up until this year they have been correct. They had only to look at the record of their former dictator to see how a nation, hiring a few representatives at lavish fees, could have its way with sugar.

This system of foreign sugar distribution and the foreign government lobbying that goes with it must come to an end. I regret that on the surface it appears that a struggling young government may be hurt. However, I think if the situation is studied calmly, Senators will find that the Dominican Republic will do extremely well under the administration's global quota program. From 1956 to 1960, the Dominicans sold about 100,000 tons of sugar to the United States at premium prices and between 600,000 and 700 000 tons on the world market at world market prices. It was only with the rise of Castro that they became a larger shipper to the U.S. market. And even then, their shipments to the United States during 1960 and the first half of 1961 came in at near world

market price, thanks to a special tax imposed by the Eisenhower administration. Dominican sugar shipments to the United States were banned altogether during the last half of 1961, after disruption of diplomatic relations, and only started again after the death or Trujillo.

In arguing for the larger quota at full-quota premium prices, the Dominicans cite a threefold increase in wages as raising their costs above the world market price. However, testimony Friday and Saturday before the Senate Finance Committee indicated wages in their sugar industry have risen $16 million—the quota premium they will receive on the quota they want comes to $45 million. The Dominicans' proximity to the United States, combined with their production efficiency, will certainly assure them a large share of the 2.6 million ton global quota contained in the administration's bill.

There are 15 new producing countries in the House-passed sugar bill. Each one could become a potential Dominican Republic. The only way to prevent this from happening is to remove the quotas and bring foreign sugar in at world prices.

The Dominicans have argued that a cut in sugar shipments to the United States will be seized on by local Communists as a sign that the United States is not a friend of the Dominican Republic. If the quota were allowed, the Communists would not change their purposes, they would only look for another issue.

Much more will be done for the Dominican Republic if we put our sugar trade with them on a firm business relationship, rather than setting them up as a sugar colony of ours, with an economy that is dependent on the whim of the Congress or a congressional committee.

Mr. President, there is another side of this sugar program that needs public discussion. Some years ago, when I was dealing with questionable activities in a small branch of this Government, a wise man wrote me that "Where there is sugar, there you will find the flies."

Mr. President, the lobbyists on Capitol Hill working on the sugar bill are thick as flies. It would be one thing if they were all associated with domestic interests, who themselves are knowledgeable in the ways of this city and prepared to handle any situation. The fact is that many of them are Americans representing foreign nations, who for the most part are naive about the working of the legislative branch of our Government.

In 1956, when the sugar bill was up for revision and hearings were held, there were only four foreign lobbyists heard. This year, no less than 22 appeared before the House committee. It is not only the proliferation of foreign lobbyists that disturbs me, but also the type of contracts and amounts of their fees.

This is set out in greater detail in the hearings, printed copies of which are on the desks of S enators. In this particular case the fee was of a highly contingent nature, in that if a sugar bill were not passed providing at least a 3-year extension and with a proper quota the fee would be only about half that much. This is the type of lobbying which is now developing under the influence of this kind of approach to the problem.

Another lobbyist worth noting is Rocco C. Siciliano, a former special assistant to President Eisenhower, whose law firm represents the Sugar Association of El Salvador, for a fee of $10,000. Mr. Siciliano reported to the Senate Finance Committee that he specifically was hired to lobby this particular sugar bill. The interesting fact is that for the fee—a very substantial one in El Salvador's terms—Mr. Siciliano was hired less than a week ago, on June 21, only 9 days before the current legislation is to run out and by which time it is generally expected we shall have approved a new measure.

There is another type of lobbyist working on this bill for foreign nations. He is one who is getting a basic fee and then something additional based on the amount of sugar he gets for his client.

Mr. President, it is normal when discussing the choice between two bills to place in the RECORD a table that clearly outlines the choices available under the two approaches. We have all seen analyses which show how much sugar will go to this area or that, or one country or another under the House and administration bills. I would like to place in the RECORD at this point a short table which shows the amount of fees that will be received by contingent fee lobbyists under the House and administration approaches.

I ask unanimous consent to have the table printed at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Name	Representing	Fee	
		Administration bill	House bill
Oscar Chapman	National Union of Mexican Sugar Producers	$50,000	$76,750
James W. Riddell	India Sugar Mills Association	[1] 50,000	99,000
Albert S. Nemir	Sugar and Alcohol Institute of Brazil	25,000	53,550
Ernest Schein	Republic of Colombia	15,000	26,250

[1] Under a letter contract, dated May 21, 1962, the India Sugar Mills Association may terminate the contract if the legislation is enacted "without any consideration being given to the position of India by the terms of the legislation." In this contingency, a fee of $50,000 plus $5,000 in expenses will be paid.

Mr. FULBRIGHT. Mr. President, under the Foreign Agents Registration Act, which is now under the administration of the Department of Justice and under which all lobbyists should register, the registration has been extremely negligent and in some cases nonexistent. Even those who have registered have done so in a very superficial manner. In my opinion, they have not complied with the law in its basic requirements as to details as to how much they receive and how it is spent.

This is an example of the kind of bill which inspires the abuse of this kind of activity. I realize that there are many legitimate activities of lobbyists. There are many very fine lobbyists, such as those with respect to domestic agriculture in the Farm Bureau and other organizations of great assistance to us. We are accustomed to them. I think they do not operate on any contingent basis. Their representation is on a very legitimate basis in all respects.

I do not wish to criticize all lobbyists, but I think the kind of "grab bag" which emerged from the House committee and the House itself is bound to create the kind of lobbying of which we see a small sample in the table. Some details, though not all, appear in the record before the Senate committee.

Mr. President, if this foreign sugar lobbying were limited to large fees and persuasive talking, it would be one thing; but the fact that the Sugar Act up to now has placed Congress in the position of deciding where U.S. sugar will come from has worked to undermine our State Department in the eyes of the nations with whom it deals. In all sugar producing countries, including the 22 with lobbyist representation, it has been the administration's policy to have the U.S. Ambassador indicate that the administration sugar program will place the United States on a global quota basis. Yet these nations have gone ahead and hired outside representation in an effort to have Congress change the administration's position.

Should the administration and the President be reversed on this issue, and quotas be granted to all these countries thanks in part to nondiplomatic representations to Congress, the prestige of our Nation will be severely dimmed. For these countries will then be tempted to think "if lobbying works in sugar, why not try it in other areas?"—perhaps military or economic foreign aid.

Mr. President, I would like to sum up the current program this way: the Secretary of Agriculture has been given the power to set the domestic prices of sugar and control its growth, processing, and marketing. About the only thing he cannot control is how much of it each one of us consumes. The program has kept a floor under domestic sugar prices, which have steadily risen since the act became law. It has brought increased income to growers, so much so that almost every farmer in the Nation is tempted to get a quota.

I have no doubt that if the bill is passed the farmers in my State will begin to examine the possibilities of growing sugarbeets, if this kind of subsidy is continued, as the farmers are expanding production in other areas of the South.

The program has necessitated a consumer subsidy of mounting proportions, one that could go to $2.5 billion over the

life of the proposed legislation. Through quota premiums to foreign producers, it has encouraged inefficient foreign production that almost rivals our own domestic inefficiency. It has also caused serious diplomatic problems among nations with whom we are friendly and has fostered a foreign sugar lobby that if successful could stimulate similar activities in other fields which could grow into a serious hindrance to the regular conduct of foreign affairs.

For all these reasons, Mr. President, I would be most happy to see this Sugar Act, as we know it, dismembered, with the sugar excise tax provision placed in the excise tax bill where it belongs, and the main body of the measure shipped over to the Committee on Agriculture and Forestry for study and treatment as an agricultural measure.

Mr. President, I have not begun to exhaust all the unusual aspects of the proposed legislation. I know of no other bill which originates in and is passed upon by the House Committee on Agriculture which ends up in the Committee on Finance in the Senate. The proposed legislation is a very strange hybrid; and there are very strange explanations, none of which is rational or makes any sense.

I have nothing against sugar as a commodity. It should be handled in the regular manner in which other agricultural commodities such as cotton or tobacco are handled. I would hope it would not be handled in the loose administrative way the wheat and corn programs are handled; but I think tobacco, cotton, and rice have been very efficiently handled. Today they are in good condition. The cost is not exorbitant.

I have never understood, and do not now understand, why sugar should not be handled under the agriculture program. I would have no objection to that. I ask the Senate to consider what we are presently doing. We are holding down cotton very severely. We have more than halved the acreage of cotton in the period in which the Sugar Act has been in effect. We have held down the production of tobacco and rice, and properly so. But under the stimulus of an excessive and unwarranted subsidy to sugar, we are increasing at a very rapid rate production which will result in overproduction.

One very serious aspect of the approach to the problem is that there is now before Congress a trade bill. It has not yet come before the Senate. The bill is based upon the assumption that in some way we should associate our trade policies with the emerging Common Market in Europe. What is proposed in the sugar bill is directly contrary to the spirit of that trade bill. For example, we are trying to persuade the Germans and other members of the Common Market not to put up high tariff walls and to become self-sufficient in the development of such commodities as cotton, soybeans, rice, or, particularly in the case of my own State, poultry, one of the major industries of the South and, in effect, of the Nation, because it has become a major nonsubsidized agricultural product.

The industry is not subsidized or controlled, but is a very efficient industry and has been developing an export market. We are now building, in a common market with the Germans and others, a trade that would discourage duplication and wasteful self-sufficiency. The result of the program under the bill would eventually be high cost, inefficient production in each country, and a complete lapsing of foreign trade. Germany followed such a program before World War II. It is often characteristic of countries which are preparing for conflicts of that kind. I do not wish to intimate that our country is doing so. I do not think there is any such thing in the minds of the sponsors of the bill. But I think the kind of bill before the Senate would make it impossible for us to do business with other countries if we should use that approach. To stimulate an industry by artificial means of the kind proposed would destroy the prospect of any sensible trade with our best friends and allies.

I realize that all I have said will perhaps not impress Senators who support the bill. I have spoken on the subject before.

In any case, I commend to the Senate the bill as reported from the Senate Committee on Finance, rather than the House bill. On that point there is no question. The Senate committee version is far better than the House bill. As reported originally, there were two particular provisions in the Senate committee bill which I wish to discuss for a moment.

Both of those provisions would take some steps in bringing somewhat into line what is now an outrageous special piece of legislation. Both of those particular provisions would same money for the Government and limit some of the steam behind the pressure to get into the U.S. sugar business; and, though neither would work toward lowering sugar prices to consumers, they would both somewhat cut the general tax burden of the program.

The two provisions are, first, the administration's plan to put the Cuban quota on a global quota basis and slowly reduce the premiums paid to basic quota countries. That is perhaps the most important difference. I commend the committee for inserting it in the bill.

The second amendment was inserted in the committee bill most mysteriously. I was not present. I do not intend to make any particular point of it. I was at the meeting day before yesterday, when the committee voted to report the bill with an amendment to cut the direct payments to domestic sugar growers. I had suggested that the excise tax should be cut 50 percent and the payments 50 percent. A substitute for that proposal was offered by one of my distinguished colleagues, which resulted in a stepping down of the direct subsidy quota payments, which the committee adopted—at least those members of the committee who were present—without objection.

When and how the committee reversed itself I do not know, but the committee did so, much to my surprise. In a colloquial manner the action was described as "running into a buzz saw." Where the committee encountered it I am not sure. In any event, without my knowledge—and I confess that, having other duties to perform and thinking that the sugar bill was disposed of so far as the committee was concerned, I was not present this morning at the committee meeting—that provision was inserted in the bill by the committee. It was a very sensible step in the right direction.

I commend the first action of the committee, for their tentative instinct was at least a step in the right direction. But that action was reversed. In spite of that action, I should like to say a few words about the provision, although it is no longer in the bill. I would like the RECORD to show a statement on the premium recapture on foreign import sugar by the chairman of the House Committee on Agriculture, which handled the bill. In discussing the premium recaptured on foreign import sugar, Mr. COOLEY stated—

> We know enough about this program to realize that if we do away with quotas and do away with premiums, the only thing you have left will be payments to the domestic producers, and those payments would stand up like a sore thumb and would be difficult for us to justify.

If I can understand the English language, the chairman of the Committee on Agriculture in the House has stated that we must pay foreigners $130 million extra of estimated premium in order to disguise what we are paying the domestic producers; otherwise the action would stand out like a sore thumb.

I submit that is a very strange reason to justify the premium payments.

So, Mr. President, behind much of the domestic opposition to the global quota plan I think one will find lurking the type of thinking characterized by Mr. COOLEY'S candid remark.

There have been other objections voiced and I would like to deal with some of them one by one.

During the hearings and I am sure during this debate we will hear that the world price is a distress price and one controlled by the Communists.

In fact, that point was made by a lobbyist before the committee. Mr. President, there certainly is some distress selling at world prices but we must remember there is a surplus of sugar on the market today. It is not only Cuban sugar that has driven the world price down. But 40 percent of world trade sugar now sets the world price—and with this plan 60 percent of world sugar trade will be in free market channels. As for the argument that no one can compete at world prices, it should be noted that almost every sugar exporting country and almost every sugar importing country—except the United States—buys or sells a portion of its production at world prices. Within the Commonwealth Sugar Agreement, the United Kingdom, though it purchases much of its sugar at a negotiated price that approaches our own, also makes extensive purchases at world market

price, even from members of the Commonwealth. And major sugar exporting countries that have come before congressional committees saying they could not compete for the U.S. market on a world price basis have themselves been selling most of their sugar on that basis. Peru, Taiwan, and the Dominican Republic, to name a few, all for years have sold heavily, and I would imagine profitably on the world market.

There has been some talk that the Communists through Cuba will control the world market price. Mr. President, the latest Department of Agriculture Sugar Situation report indicates that the Cubans have taken steps to try to firm up world market prices of sugar in their own interest. Remember, Cuba gets only 20 percent of the value of her Communist bloc sugar sales in currency, the remainder comes in barter. The Cubans need world market sugar sales at reasonable prices in order to get badly needed foreign exchange. As a step in this direction, the Cubans, according to the Agriculture Department have announced their withdrawal from the sugar market during the remainder of 1962. In addition, they have initiated discussions with Brazil, the other major hemisphere sugar producer, to work out some measure to prevent major sugar surpluses that would drive the world market price down any further than it is.

The argument has been made that recapture of the quota premium would hurt the foreign exchange positions of the sugar producing countries exporting to the United States. This cannot be denied for the quota premium is in effect a direct grant above the world price. The sugar program, however, should not be regarded as a foreign aid measure and the granting of subsidies to foreign sugar producers is a haphazard way to shore up their foreign exchange reserves.

The foreign aid bill, with all its faults, is intended to serve certain people because of certain rational programs and in connection with them, and not by "happenstance," as to whether they may be able to grow sugar or whether they are growing it now or may grow it in the future.

The argument has also been made that the global quota plan will not bring in the $130 million envisioned by the administration. If world prices firm, thanks to the United States entering the world market, the saving may not in fact come to $130 million. Agriculture experts are convinced, however, that with world sugar production at current or even somewhat restricted levels, world prices will remain at substantially below the domestic U.S. price. And the fact that we will not save $130 million is no reason to continue a program that costs us that much.

For all these reasons I strongly support the administration's global quota plan—and for one more. And that is we must remember our responsibility to the Cuban people who some day will cast off their Communist leaders and return to their place in the free world. When that day comes we must be able—overnight—to restore them to their position as the main foreign supplier of U.S. sugar. We should be prepared to do this not for our sugar interests, but because sugar trade will be the only way any new Cuban Government will be able to sustain itself after a Communist bloc breakaway.

I should like to say at this time, Mr. President, that I can see no compromise between the global quota program as presented by the President, and the haphazard and diplomatically dangerous plan presented in the House bill. If there is to be a showdown, I am prepared to see the entire sugar program ended rather than continued under the current or House-proposed program.

Mr. President, the Finance Committee's amendment to cut direct payment to growers which was adopted without any known opposition but apparently reversed, was a sound amendment. I have presented facts to show that grower income has doubled since this program started, and that the number of individual farms has dropped sharply in recent years despite the rise in acreage planted. This can add up to only one thing—the big operators are moving into sugar. One of the factors that brings growers to sugar is the almost guaranteed profit provided by the Secretary of Agriculture who takes into consideration grower costs when deciding on how much sugar he will permit to enter the market. The direct Government payment to growers then comes almost as gravy to most growers, and particularly to the larger ones.

This amendment has had almost no effect on small producers but will have substantial effect on cutting direct subsidy payments to the large sugar plantations. According to Department of Agriculture figures, the saving realized to the Government would be approximately $5 million.

I ask unanimous consent to place in the RECORD at this point a list of the Sugar Act payments in excess of $50,000 made to sugarcane and sugarbeet producers on the 1960 crops. With it I also offer a table showing the overall saving to the Government by the proposed amendment.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

Sugar Act payments in excess of $50,000 made to sugarcane and sugarbeet producers, 1960 crop

Producer:	
Domestic beet area:	
Newhall Land & Farming Co.	$51,122
Mainland cane sugar area:	
Okeelanta Sugar Refinery, Inc.	351,403
South Coast Corp.	303,971
Southdown, Inc.	186,270
United States Sugar Corp.	775,121
Sterling Sugar Co.	78,772
Churchill & Thibaut	35,577
Dugas & LeBlanc	60,047
A. Wilbert's Sons	62,090
Milliken & Farwell	73,036
Savoie Farms	52,391
Total mainland sugarcane	1,998,678

Sugar Act payments in excess of $50,000 made to sugarcane and sugarbeet producers, 1960 crop—Continued

Producer:	
Hawaii:	
Ewa plantation Co.	$385,747
Gay & Robinson	136,279
Grove Farm Co.	275,255
Hakalau Sugar Co., Ltd.	155,398
Hamakua Mill Co.	212,519
Hawaiian Agricultural Co.	361,632
Hawaiian Com. & Sugar Co.	980,691
Hilo Sugar Co., Ltd.	166,446
Honokea Sugar Co.	230,254
Hutchinson Sugar Co., Ltd.	245,923
Kahuku Sugar Co., Ltd.	169,559
Kekaha Sugar Co., Ltd.	342,187
Kilauea Sugar Co., Ltd.	157,254
Kohala Sugar Co.	360,695
Lihue Plantation Co., Ltd.	424,423
Laupahoehoe Sugar Co.	294,152
McBryde Sugar Co.	229,533
Oahu Sugar Co., Ltd.	500,089
Olokele Sugar Co.	246,705
Onomea Sugar Co.	203,218
Paauhau Sugar Co., Ltd.	141,281
Pepeekeo Sugar Co.	174,619
Pioneer Mill Co., Ltd.	413,127
Puna Sugar Co., Ltd.	282,364
Waialua Agriculture Co., Ltd.	466,215
Wailuku Sugar Co.	233,192
Total Hawaii	7,788,757
Puerto Rico:	
Luce & Co., S. en C.	590,661
Sucesion J. Serralles and Wirshing & Co., S. en C., coproducers	370,903
Heirs of Miguel Esteve Blanes, deceased, et al., joint operators	137,312
C. Brewer Puerto Rico., Inc.	431,530
Antonia Cabassa Vd. Fajardo, et al., joint operators	111,489
Miguel A. Garcia Mendez, Fredeswinda Ramirez de Arellano	69,858
Antonio Roig, Sucrs., S. en C.	339,403
Mario Mercado e Hijos, a partnership	103,786
Jorge Gonzalez Hernandez, et al., coproducers	58,750
Heirs of Mario L. Mercado Parra, deceased; heirs of Mario L. Mercado Parra, deceased, and Gregorio Multedo and Southern Transport, Inc.	95,927
Ernesto Quinones Sambolin	63,267
Heirs of Lucas P. Valdivieso, deceased	82,363
Quintero & Darila, Ltd.	57,584
Waldemar Bravo	87,402
Ramon Gonzalez Hernandez	108,311
Total Puerto Rico	2,708,446
Virgin Islands:	
Virgin Islands Corporation	62,017
Total all areas	12,609,020
Total 1960 crop Sugar Act payments for all areas	72,985,573

Estimated Sugar Act payments computed on proposed rate of payments (1960 crop data)

Payments to—	New basis	Old basis
Hawaii:		
Hakalau	$105,894	$155,398
Hamakua	129,245	212,519
Hawaiian Ag. Co.	207,154	361,632
Hilo	109,846	166,446
Honokaa	136,712	230,254
Hutchinson	143,310	245,923
Kohala	206,530	360,695
Puna	158,653	282,364
Laupahoehoe	164,020	294,152
Onomea	125,329	203,218

Estimated Sugar Act payments computed on proposed rate of payments (1960 crop data)—Continued

Payments to—	New basis	Old basis
Hawaii—Continued		
Paauhau	$99,250	$141,281
Pepeekeo	113,287	174,619
Hawaiian Com. & Sug.	619,861	980,691
Pioneer	241,485	413,127
Wailuku	137,949	233,192
Ewa	223,233	385,747
Kahuku	111,157	169,559
Oahu	299,459	500,089
Waialua	276,876	466,215
Gay and Robinson	97,144	136,279
Grove Farm	155,660	275,255
Kekaha	194,191	342,187
Kilauea	105,975	157,254
Lihue	249,015	424,423
McBryde	136,408	229,533
Olokele	143,639	246,705
Waimea	38,576	44,011
Total	4,729,858	7,832,768
Difference	3,102,090	
Florida:		
U.S. Sugar	482,814	775,121
Okeelanta	200,335	351,403
Total	683,149	1,126,524
Difference	443,375	
Puerto Rico:		
Luce & Co., S. en C	359,841	590,661
Sucesion J. Serralles and Wirshing & Co	213,335	370,903
Heirs of Miguel Esteve Blanes	97,579	137,312
C. Brewer Puerto Rico, Inc	253,753	431,530
Antonia Cabassa Vd. Fajardo	83,564	111,489
Miguel A. Garcia-Mendez	58,585	69,858
Antonio Roig, Sucrs	192,335	339,403
Mario Mercado e Hijos	78,941	103,786
Jorge Gonzalez Hernandez	50,253	58,750
Heirs of Mario L. Mercado Parra, deceased	74,226	95,927
Ernesto Quinones Samboolin	53,694	63,267
Heirs of Lucas P. Valdivieso, deceased	66,088	82,363
Quintero & Davila, Ltd	49,364	57,584
Waldemar Bravo	69,111	87,402
Ramon Gonzalez Hernandez	81,657	108,311
Total	1,782,326	2,708,546
Difference	926,220	
Louisiana:		
Southcoast	167,688	303,971
Southdown	118,185	186,270
Sterling	63,933	78,772
Churchill & Thibaut	47,835	55,577
Dugas & LeBlanc	51,240	60,047
A. Wilbert's Sons	52,797	62,090
Milliken & Farwell	60,492	73,036
Savoie Farms	45,408	52,391
Total	607,578	872,154
Difference	264,576	
Beet area: Newhall Land & Farming Co	44,440	51,122
Difference	6,682	
Virgin Islands: Virgin Islands Corporation	41,756	62,017
Difference	20,261	

Comparison of Sugar Act payments at proposed rate of payment with actual 1690 data

[In millions of dollars]

Area	1960 crop Sugar Act payment	Payment at proposed rate	Difference
Hawaii	8.8	5.7	3.1
Puerto Rico	14.9	13.7	1.2
Mainland cane area	8.2	7.4	.8
Domestic beet area	39.3	[1] 39.0	[1] .3
Total	71.2	65.8	5.4

[1] Estimates based on meager data.

Mr. FULBRIGHT. Mr. President, another bit of candor, Mr. COOLEY, during the House debate on sugar, put his finger right on what is wrong with this program. Asked why all U.S. sugar needs could not be grown domestically, Mr. COOLEY replied:

> It is uneconomical to produce it domestically. It has to be on an artificial basis. You talk about artificial price supports, this bill here is important in all areas of this country and in the Virgin Islands, Puerto Rico, and Hawaii.

I believe that sums it up pretty well. Mr. COOLEY has been a sort of midwife or foster father of this program for many years, ever since he was made chairman of the committee.

Mr. President, we have let the sugar bill gain an exalted place in American agriculture because, for the most part, few of us cared to look into it. And during most of this period, the act functioned quietly, keeping domestic prices high but not hurting us in other areas. The Cuban situation has brought the Sugar Act into public focus. As a device to protect, what Mr. COOLEY referred to as an "artificial" domestic industry, it should be fashioned so as to do the least amount of harm to the remainder of governmental activity.

I should dislike to see a disruption in our normal diplomatic relations with our best friends by reason of their rushing in for individual quotas.

I hope the bill will be rejected.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. DOUGLAS. I congratulate the Senator from Arkansas for his able and thorough speech, which I believe should be studied by Members of the Senate, and in later days by the citizenry at large.

As the Senator probably knows, an amendment has been submitted by the Senator from Minnesota [Mr. MCCARTHY]. It would abolish the global system of quotas and reestablish quotas for countries. A vote on the amendment probably will be taken shortly.

Does it not seem to the Senator from Arkansas to be a return to the worst features of the House bill?

Mr. FULBRIGHT. The Senator is quite correct. I agree with him. I believe the worst procedure possible would be for Congress to undertake something which would cause the greatest disruption to our foreign relations, in addition to the other bad features that are involved. The one merit of the Senate bill is the global feature.

Mr. DOUGLAS. Plus the fact that we pay the world price.

Mr. FULBRIGHT. The declining——

Mr. DOUGLAS. And that the difference between the world price and the domestic price is absorbed into the Treasury.

Mr. FULBRIGHT. Yes.

Mr. DOUGLAS. I have not had an opportunity to question the Senator from Minnesota on this point. It is not quite clear what the McCarthy amendment would do so far as price is concerned. I hope this fact may be developed later in the debate.

However, it would serve to restore the national quotas and abolish the global quotas.

Mr. FULBRIGHT. It would cut the Cuban quota back to a 1,500,000 tons. I have not had an opportunity to consider the amendment. It appeared on my desk only a few minutes ago. I still do not understand why this crop, of all the major crops of the country, including dairy products, cotton, wheat, and corn, should be selected for special treatment, resulting in a grab bag among foreign countries, disrupting our foreign relations and also inevitably resulting in overproduction domestically.

Consider the extraordinary attempt to develop the production of sugar in Florida. Cubans who were able to get their money out of Cuba before they left are now busily engaged in expanding sugar production in Florida. If this activity is being conducted on an economic basis, I have no objection to it. But under this kind of program, it might be unsound in every respect, which would create a dangerous precedent.

Sooner or later, I believe the country will become tired of this program and will retreat from it. There will be real trouble and disaster in that it has been encouraged.

This situation does not exist with respect to any other crops. Of course, during the war the demands of our allies and ourselves required increased production of some of the staples, such as corn and wheat. It was necessary for us to feed ourselves and our allies, so there was a legitimate reason for increasing food production. But there is no legitimate reason for conducting this kind of sugar program. I see no justification whatever for encouraging this uneconomic industry under such an absurdly large subsidy.

Mr. DOUGLAS. I thank the Senator from Arkansas for his statement. I congratulate him again upon his public spirited attitude.

Mr. FULBRIGHT. I do not know whether the Senator was in the Chamber, but I mentioned that last year or the year before I joined with the Senator from Illinois in offering an amendment which sought to accomplish the same purpose with respect to the sugar crop, but the Senate did not agree.

Mr. DOUGLAS. That is correct.

MORE SUGAR PRODUCTION FOR MISSOURI AND THE NATION

Mr. SYMINGTON. Mr. President, one of the most responsible and intelligent statewide efforts ever undertaken in agricultural research has been conducted during the past 2 years in Missouri, to determine whether our State could merit a place in the beet sugar industry.

This effort has been based on large-scale field tests of sugarbeet cultivation, directed by agricultural scientists of the University of Missouri, participated in by many farmers in various districts, fully supported by the State legislature and administration, and observed by qualified authorities from the beet sugar industry.

As a result of this test program, it has been shown that Missouri can adapt large acreage to the successful commercial production of sugarbeets, and that this crop would be an economic asset not only to our State, but also to the Nation.

We in Missouri believe that the sugar bill, as reported by the Committee on

Finance, is workable and acceptable as it pertains to new opportunity for the farmers of this country. We also believe it is a moderate bill in this respect, and is the least that is due the American farmer, both in the "old" sugar areas and the "new" areas such as Missouri, who need this opportunity to contribute their equitable share of the sugar consumed in this country.

There has been almost no dissent from the public, agriculture, or industry as to the share reserved for domestic producers under the bill.

We support the measure and hope the Senate will approve it.

Mr. President, I am very glad the Senate adopted the amendment which provides for increased domestic production. I hope the amendment will be maintained in conference.

I believe this is a good bill. The farmers of Missouri have had great difficulty, especially because of the recent activities connected with feed grains. Missouri badly needs a new crop. We have done our best to get it. I hope the proposed legislation will be fully supported by the Senate.

Mr. McCARTHY. Mr. President, I offer my amendment which is at the desk and ask that it be read.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 29, it is proposed to strike out line 10 and all that follows through page 31, line 13, and substitute therefor the following:

(2) For the calendar year 1963 and for each subsequent year under this Act, the quota for each foreign nation shall be an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsection (a) and (b) of this section, to be determined as follows: the quota for Cuba shall be 1,500,000 tons, and for other foreign nations the quota shall be, (A) the historic quota of each nation under the Sugar Act of 1948, as amended, plus the following additions based on its share of the reallocation from the Cuban quota, 1961–62: (a) an additional quota of 100,000 tons for those nations which supplied more than 300,000 tons of nonquota sugar; (b) an additional quota of 75,000 tons for those nations which supplied between 150,000 and 300,000 tons; (c) an additional quota of 50,000 tons for those nations which supplied 75,000 to 150,000 tons; (d) an additional quota equal to the tons supplied for those nations which supplied less than 75,000 tons; (B) any nation which did not have a historic quota shall also be assigned a quota based on the share it supplied under the reallocation of the Cuban quota, 1961–62, as follows: (a) a quota of 100,000 tons for those nations which supplied more than 300,000 tons of sugar; (b) a quota of 75,000 tons for those nations which supplied between 150,000 and 300,000 tons; (c) a quota of 50,000 tons for those nations which supplied 75,000 to 150,000 tons; (d) a quota equal to the tons supplied for those nations which supplied less than 75,000 tons.

Subsequent paragraphs of section 202 to be renumbered accordingly.

Mr. McCARTHY. Mr. President, this amendment is offered as a compromise between the position taken by the Senate Finance Committee—which recommends that all of the Cuban quota, which has been withdrawn from that country, be thrown into the open market and put into what the administration, I believe, first called a global quota—and the action taken by the House Agriculture Committee, which assigns to various countries, scattered around the globe, all the quota which formerly went to Cuba. In effect, I believe the House-passed bill provided a kind of global quota, since there was no significant sugar-producing country that was not given at least a share of the U.S. market, under the recommendations of the House Agriculture Committee.

The Senate Finance Committee recognized what are called the historic quota countries—those which had quotas before the problem of distributing the share of our sugar market which formerly went to Cuba was presented to us. The Senate Finance Committee bill recommends that the historic quotas be continued, and that, along with them, the quota which the Philippines now hold by virtue of the treaty our country has with the Philippines be continued, and that, so far as those 980,000 tons are concerned, the present premium price be continued.

However, with reference to the countries holding what I call historic quotas, the Senate Finance Committee bill provides that over a 5-year period the premium payments will be reduced by 20 percent a year, until, after 5 years, they would no longer receive any premium payments. I do not know what the plans are in regard to the Philippines; but indications are that they would continue to receive the premium payments, so long as the treaty between our country and the Philippines continues to run.

So in the transition period after the first 20-percent reduction went into effect, the United States would be paying at least three prices in the world sugar market: We would continue to pay to the Philippine producers and suppliers the existing premium price; we would pay to those who have historic quotas a reduced premium price, depending on the year involved—reduced by 20 percent or by 40 percent or by 60 percent or by 80 percent or by 100 percent, depending on the year; and we would obtain the rest of our sugar needs in the open market, beginning at the time when the act became effective.

I know that the administration, in making at least one of its arguments in favor of global quotas, has said that in the operation of the act through the years, there has not been any very clear indication of a general improvement—at least, not in many countries—in regard to the manner in which the sugar workers are paid or the way in which they are treated. It is contended by some that for the most part the premium payments go to Americans who own sugar refineries and sugar plantations, or to Europeans who own them, or, in the respective countries, to people who have little loyalty to their own countries, and are all too ready to take their sugar profits and their other profits and invest them in other parts of the world. That may be true; but I suggest that if it is, the administration had an excellent opportunity, when it presented the administration bill on sugar, to modify the so-called historic quotas. There was nothing to keep the administration from doing so.

For example, if the administration felt that in Peru the sugarworkers were not being treated properly, and that in that country there was too great a concentration of sugar plantation ownership or sugar refinery ownership, the administration could have recommended that the quota given Peru last year be withdrawn, and that the historic position, so-called, which Peru has held for some time—certainly, since 1961—amounting to approximately 121,000 tons, be reduced, this would be a way to indicate our displeasure over the fact that even with the premium payments over the years, those in Peru who control the production of sugar have not responded properly.

No such recommendations were made. There is no indication that the administration was particularly concerned about countries holding historic quotas, and the wages and treatment of workers in those countries. There was no legal reason why it should not have recommended a reduction or withdrawal of quotas from those countries.

Having passed over that opportunity, it moved into the question of handling the quota previously held and filled by Cuba. It is said that all of it should be thrown into the open market. One of the defenses for this position was that some of the countries holding temporary allocations had not responded as it had been hoped they would.

The argument was made that if the import payments can be recaptured through the Alliance for Progress and other foreign aid programs, great benefits will be offered to the common people of countries throughout the world. This may well be true. I suggest, if this was the concern of the Department, it had an unusual opportunity both with reference to the allocation of the so-called historic quotas and also with respect to the temporary or semipermanent allocations of the withheld Cuban quota to assign quotas and pay premiums to countries in which our State Department and officials might be able to determine whether there had been some improvement in working conditions and the manner in which sugar workers had been treated, and to determine whether the premium payments were really getting down to the people and doing some good.

Instead of that, the so-called historic quotas countries were blanketed in, without doing anything to give direction to or to influence their internal policies. Allocations to nonquota countries and countries that were given allocations under the action of the executive branch of the Government last year were thrown into the world market.

This was an unusual opportunity for the administration to make some limited recommendations to us regarding national quotas. It did not necessarily have to reassign everything in the Cuban

quota. The administration presented an open invitation to the House Agriculture Committee, which has worked with this legislation since it was enacted in 1934 and which has some general familiarity with the way both the domestic program and the international sugar program work, to make assignments of national quotas. There was an open invitation—amounting almost to a demand—to every country that was concerned with getting a sugar quota from this country to hire a lobbyist to try to obtain for his principal some share of the quota. I do not approve of some of the actions of certain lobbyists who have appeared here. Nevertheless, I think we must acknowledge that, whoever is at fault for the manner in which this legislation was presented, with the tradition of assigning national quotas, we should not be surprised if countries seeking a share of the American market are looking for someone to speak and act for them.

We all know that whenever there is a question of assigning licenses or contracts or enacting legislation that affects a special or private interest, it is quite customary for those who are affected to obtain the services of someone to represent them, or make the best case they can on their own.

I hope we can put this question aside and go back and examine, first of all, the purposes for which the sugar program was established in 1934.

The distinguished Senator from Colorado [Mr. CARROLL], who was a personal friend and admirer of Senator Costigan, the principal author of the original bill, made the case quite clearly and adequately. The Sugar Act was enacted for three or four purposes. One of the reasons was, of course, to help improve the domestic sugar production industry. It may be argued that we do not really need a domestic sugar industry. I think the record of the past sustains the argument that something like 50 percent of our sugar needs should be supplied by domestic concerns which have available transportation, so that, under conditions of war or threat of war, when foreign supplies are shut off, there will be available to us at least an adequate and reasonable supply, one that would meet our needs in time of emergency.

In addition, when the Sugar Act was enacted, there was a concern about stabilizing the supplies to meet our needs under ordinary conditions, and to try to establish for U.S. refineries and markets a source of sugar upon which we could rely.

It was decided that the best way to do this was to pay premium prices, to assign quotas, and to obtain agreements with regard to quotas for foreign countries in the Western Hemisphere.

There was a third consideration which I think is deserving of the attention of the Senate. That was to build into the program, if we could, procedures by which the United States in obtaining its sugar, need not give to other countries the excuse that, because we were paying substandard prices for sugar, they would be justified in paying substandard wages to those working on sugar plantations.

The argument has been made that not all countries to which we have been paying premium prices have responded the way they should have. I am not prepared to fix the responsibility for it, but if the United States had not been paying fair prices in the international market in the past, certainly we would have to share a significant portion of the responsibility for the exploitation of sugar workers in those countries.

If we move according to the provisions of the bill as reported by the Finance Committee, and follow the general recommendations of the administration in this field, and try to secure something like 3 million tons of sugar for our needs in the world market, I think we shall lay ourselves open to the charge that we are willing to buy cheap sugar, even though this benefit to us is to a large extent reflected in the exploitation of sugarworkers in almost every sugar-producing country of the world. Nearly every one of them is a country which has a low standard of living, a very low per capita income for all its people, and in most cases a very low per capita income for those who work in the sugar industry.

I propose, not that we accept the allocations made by the House committee, assigning all the Cuban quota to foreign countries. but, rather, that we take into account, accept, and acknowledge the historic quotas which had been in effect before 1961, and give to those countries the same quotas that they formerly had. This is the recommendation of the Senate Finance Committee. In addition to that, I would give some allocations to countries which receive a share in the reallocation of the Cuban quota, which was withdrawn from Cuba when Mr. Castro took over and when it became clear to us that his government was a Communist government.

When that happened it was necessary to find other suppliers who would provide the sugar needed by the American people. We might then have said, "Let us go into the world market." But the decision was made not to do so. I think the reasons generally were good. It would have had a demoralizing effect on the sugar market, and it would have had a demoralizing effect on those countries from which we purchased sugar. That was the situation last year. This year it appears that some people believe we can buy all the sugar at world prices, yet not demoralize the sugar market and not have a demoralizing effect on countries from which we are to buy sugar, not at premium prices but at world prices.

I know there is no inherent reason why countries which were given an allocation last year from the Cuban quota should be given an allocation this year. We might start over. Perhaps the administration should have started over. Perhaps that would have been the best way to handle the problem. Perhaps the administration should have decided from which countries it wished to buy sugar and should have decided if the premium price being paid in the world market by the United States was too high. Perhaps the administration should have recommended reducing that price. There might be a good argument for a slight reduction. But the argument was not made by the administration. It said, "Wipe it out."

I propose to return to the previous quota situation and also to recognize the allocations made to meet our needs last year when we closed ourselves out of the Cuban market, and quite properly.

Mr. DOUGLAS. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). Does the Senator from Minnesota yield to the Senator from Illinois?

Mr. McCARTHY. I yield to the Senator from Illinois.

Mr. DOUGLAS. I wonder if the Senator from Minnesota will identify the amounts which would go to the various countries, under his formula.

Mr. McCARTHY. I shall be glad to do that for the Senator.

Mr. DOUGLAS. Under the provisions of the House bill Mexico would be authorized to receive an allotment of 350,000 tons. How many tons would the Senator from Minnesota allocate?

Mr. McCARTHY. My amendment proposes that any country which provided for the United States last year, under the allocations which were made by the State Department or by the administration, in excess of 300,000 tons of nonquota sugar as a share of the Cuban quota, would be given a quota of 100,000 tons.

Mr. DOUGLAS. Last year Mexico had a permanent quota of roughly 95,000 tons.

Mr. McCARTHY. The Senator is correct.

Mr. DOUGLAS. Mexico was allowed a temporary quota of 589,591 tons.

Mr. McCARTHY. The Senator is correct. Under the terms of my amendment the Republic of the Philippines, which was reallocated 490,000 tons of Cuban sugar, would be allocated 100,000 tons.

Mr. DOUGLAS. What about Mexico?

Mr. McCARTHY. Mexico, which provided 589,000 tons last year, would be given an allocation of 100,000 tons.

Mr. DOUGLAS. What about the permanent allocation of 95,000 tons?

Mr. McCARTHY. I would not change the permanent allocation, but neither would the Senate bill.

Mr. DOUGLAS. There would be a total of 100,000 tons for Mexico.

Mr. McCARTHY. It would be a total of 100,000 tons plus the historic quota, which would not be touched by the Senate bill.

Mr. DOUGLAS. The historic quota is 95,000 tons?

Mr. McCARTHY. The Senator is correct. That would not be touched.

Mr. DOUGLAS. There would be 195,000 tons for Mexico.

Mr. McCARTHY. The Senator is correct.

Mr. DOUGLAS. What about Peru?

Mr. McCARTHY. Peru supplied 514,000 tons of reallocated sugar. That is in excess of 300,000 tons. Peru would receive 100,000 tons.

Mr. DOUGLAS. Plus the 108,518 tons of the so-called permanent quota.

Mr. McCARTHY. I think Peru has 121,000 tons.

Mr. DOUGLAS. That would be 221,000 tons for Peru.

Mr. McCARTHY. The Senator is correct. Peru supplied us with 636,000 tons last year.

Mr. DOUGLAS. What about Brazil, which has no permanent quota but supplied us with 306,474 tons?

Mr. McCARTHY. Brazil would receive 100,000 tons.

Mr. DOUGLAS. What about the Dominican Republic, which has a permanent quota of 111,157 tons and sold us in addition 222,723 tons?

Mr. McCARTHY. In the case of countries which supplied us between 150,000 and 300,000 tons of reallocated sugar, I would allow 75,000 tons of the Cuban quota.

Mr. DOUGLAS. That would be 75,000 tons plus 121,507 tons.

Mr. McCARTHY. The Senator is correct.

Mr. DOUGLAS. That would make 196,507 tons?

Mr. McCARTHY. That would be approximately the total.

Mr. DOUGLAS. In the case of Nicaragua, there is permanent quota of 17,471 tons and they sold us an additional 25,897 tons.

Mr. McCARTHY. Under the terms of my amendment any country which supplied us less than 50,000 tons under the reallocation of the Cuban quota would receive the same allocation under this proposal that it had under the previous year's program.

Mr. DOUGLAS. Nicaragua would get 25,897 tons plus the 17,471 tons.

Mr. McCARTHY. The Senator is correct. I would not touch the historic quota.

Mr. DOUGLAS. Haiti has a permanent quota of 8,268 tons and supplied an additional 37,005 tons. Haiti would get 37,005 tons plus 8,268 tons, the same as last year.

Mr. McCARTHY. The Senator is correct.

Mr. DOUGLAS. The British West Indies has a very small permanent quota of 84 tons, but sold us last year, on a temporary basis, 265,923 tons.

Mr. McCARTHY. That country would receive 75,000 tons. If it were desired to offer an amendment to take out those countries protected in the British market, I would have no objection to that. Under the terms of my amendment the relationship is the assignment made last year. I assume that the assignments were made without pressure from lobbyists. At least, the assignments were made by bureaucrats, by administration people not subject to election. Whether that develops an immunity of greater strength against lobbyists I do not know. The allocations were made or should have been made outside the pressures of lobbyists, which supposedly are imposed on Members of Congress.

Mr. DOUGLAS. I am not quite sure what my good friend from Minnesota would do for the British West Indies.

Mr. McCARTHY. Under the terms of my proposal, the British West Indies would get an allocation of 75,000 tons.

Mr. DOUGLAS. Plus the permanent quota?

Mr. McCARTHY. Yes.

Mr. DOUGLAS. The French West Indies has no quota, but sold us 75,000 tons. The Senator would allow them 75,000 tons?

Mr. McCARTHY. No. They would receive 50,000 tons.

Mr. DOUGLAS. Costa Rica has a permanent quota of 3,968 tons and sold us on a temporary basis 26,282 tons, in addition. Costa Rica would retain the sum of both of these.

Mr. McCARTHY. The Senator is correct. They would receive 26,000 tons from the reallocated Cuban sugar.

Mr. DOUGLAS. The Republic of China has a permanent quota of 3,980 tons and sold us an additional 166,048 tons. What would the Republic of China get?

Mr. McCARTHY. It would receive 75,000 tons.

Mr. DOUGLAS. Plus 3,980 tons.

Mr. McCARTHY. Plus what it had in permanent quota; that is correct.

Mr. DOUGLAS. Ecuador has no permanent quota, but sold us 36,000 tons. Ecuador would get 36,000 tons.

Mr. McCARTHY. The Senator is correct.

Mr. DOUGLAS. Guatemala has no permanent quota, but had a temporary quota of 17,000 tons, of which about 7,000 tons was unfilled. Would Guatemala get 17,000 tons or 10,000 tons?

Mr. McCARTHY. Guatemala would get the quota, the full amount.

Mr. DOUGLAS. Seventeen thousand?

Mr. McCARTHY. There is a provision in the law to take care of countries which do not fulfill their quotas.

Mr. DOUGLAS. Argentina has no quota, and sold us nothing. Would Argentina continue to get nothing?

Mr. McCARTHY. There would be no quota to any country which received no allocation last year. Argentina would receive nothing under the terms of my proposal.

Mr. DOUGLAS. Panama has a permanent quota of 3,980 tons and was scheduled to sell us on a temporary basis 6,020 tons. Would that be continued?

Mr. McCARTHY. That would be continued.

Mr. DOUGLAS. El Salvador has no permanent quota, but was scheduled to sell us 12,000 tons. Would that be continued?

Mr. McCARTHY. That would be continued.

Mr. DOUGLAS. Paraguay has no permanent quota, but was scheduled to sell us 5,000 tons. Would that be continued?

Mr. McCARTHY. That is correct.

Mr. DOUGLAS. The Netherlands has a permanent quota of 4,149 tons and sold us in addition 5,851 tons. That amount would be continued.

Mr. McCARTHY. That might be subject to some change.

Mr. DOUGLAS. What about Mauritius?

Mr. McCARTHY. What did Mauritius have last year? I believe Mauritius had nothing last year, so Mauritius would not be affected by my amendment.

Mr. DOUGLAS. What about the Fiji Islands?

Mr. McCARTHY. The Fiji Islands would not be included unless it had a quota.

Mr. DOUGLAS. What about Australia?

Mr. McCARTHY. Australia would receive nothing under the terms of my amendment.

Mr. DOUGLAS. What about Ireland?

Mr. McCARTHY. What did Ireland do last year?

Mr. DOUGLAS. I do not think Ireland sold us anything.

Mr. McCARTHY. Under the terms of my amendment, Ireland would receive nothing, then. Of course, Ireland would receive nothing specifically under the bill reported by the Senate Committee on Finance, so far as one could read anything into the bill.

My proposal would not affect, of course, the 10,000 tons which are to be given in trust to the President.

This quota might go to Ireland or to some other country, so in effect special consideration might be shown in the act. I am in favor of that authority.

Mr. DOUGLAS. Has the Senator added his totals?

Mr. McCARTHY. I have.

Mr. DOUGLAS. Do they balance out? Would the Senator commit more tons than there are available or would he have a surplus undistributed?

Mr. McCARTHY. According to the addition which I accept, there would be reallocated from the withheld Cuban quota 1,020,835 tons. Whatever remained of the Cuban quota under existing law would be purchased in the open market. According to the addition I have made, 1,020,835 tons would be reallocated under my amendment.

Mr. DOUGLAS. May I ask the Senator about the Philippine Islands? Are the Philippine Islands placed under the domestic requirements?

Mr. McCARTHY. The Philippines are treated as shown in the act. They have an allocation of 980,000 tons under the treaty. I would give them 100,000 additional tons on the basis of what they have supplied under the allocation of the Cuban quota last year.

Mr. DOUGLAS. Is the Senator certain that he is not counting them twice?

Mr. McCARTHY. No, I am using only the reallocated Cuban sugar that has been supplied to us as the base for my amendment. Under the amendment the Philippines would receive the 100,000 tons plus the 980,000.

Mr. DOUGLAS. Is the Senator impressed by the point which the Senator from Arkansas and I tried to make; namely, that the various countries receiving the assigned quotas would have a vested interest in the maintenance of Castro? If Cuba should return to the family of free people, we would have given away the quotas which otherwise would be assigned to Cuba. Therefore, it is to the advantage of countries which would benefit to keep Cuba a Communist

state in order that they may continue to have a larger share of the sugar market.

Mr. McCARTHY. I think they may have some vested interest in it. Of course, if we speak of a global market, other countries in the world would prosper in such a global market from the allotted quotas, and the rest of the world would have a vested interest in keeping Castro in power in Cuba. The question is, How many countries do we want to have a vested interest in maintaining Castro as a Communist dictator in Cuba?

Mr. DOUGLAS. No specific country would have a vested interest.

Mr. McCARTHY. All would, which would be worse.

Mr. DOUGLAS. By shifting their purchases around, could not the State Department and the Department of Agriculture prevent any country from having a vested interest?

Mr. McCARTHY. It is possible. I do not pretend to be able to read the minds of the leaders of the countries or the businessmen in those countries, but it is quite possible that there might be some who would be so moved.

Mr. DOUGLAS. The Senator from Minnesota is always honest, and is characteristically honest at this time.

Mr. McCARTHY. I do not think I want to act on that kind of reading of the spirit.

Mr. DOUGLAS. At what price would sugar be purchased—at the domestic market price or at the world price?

Mr. McCARTHY. The sugar which would be allocated under my amendment would be purchased at the world price, plus the premium which we are now offering under the same formula.

Mr. DOUGLAS. The same premium.

Mr. McCARTHY. The same method which is used in determining the premium payments to the historic quota countries.

Mr. DOUGLAS. The world price is now approximately 2.7 cents a pound. The freight tends to be 0.3 of a cent a pound. In the United States the customs duty is five-eights of a cent or 0.652 cents a pound, making a total cost of a little less than 3.7 cents a pound raw, laid down in the United States.

The domestic price, however, is 6.5 cents. There is a subsidy, bonus, premium, or whatever one may wish to call it, of 2.8 cents, or $56 a ton. How is the Senator proposing that the $56 a ton be distributed? Would foreign producers get it all?

Mr. McCARTHY The premium payment of $56 would be distributed in those countries in the same way it has been distributed through the same channels of premium payments which were made last year in the distribution to those countries.

Mr. DOUGLAS. Does that mean that the domestic price would be paid to the producers in countries which have the quotas?

Mr. McCARTHY. As the Senator said earlier, we would pay $54 or $56 a ton premium to the foreign producers in those countries that have allocated quotas.

Mr. DOUGLAS. Then, in effect, the Senator is proposing the House bill. All he would do would be to eliminate the additional countries that got in on a "gravy train" in the House, and which had not previously been included.

Mr. McCARTHY. The Senator is quite correct. I thought I had made that clear.

Mr. DOUGLAS. It was not clear to me. Therefore, in effect, the Senator has made no saving to the Treasury whatsoever.

Mr. McCARTHY. That is not quite true. There would be a saving.

Mr. DOUGLAS. Very little saving.

Mr. McCARTHY. Approximately 1½ million to 2 million tons would be purchased in the open market.

Mr. DOUGLAS. How much would be purchased in the open market?

Mr. McCARTHY. Whatever would be left. I would allocate 1 million tons. The quantity of Cuban sugar which was allocated last year was approximately 3 million tons. Some of that has been eroded. Some of it was taken away last year and has been transferred to domestic producers.

Mr. DOUGLAS. The Senator is correct.

Mr. McCARTHY. So not all of the 2 million tons of unallocated sugar remains. I do not know how much has been eroded, but I should say that between 1½ million and 2 million tons of sugar would be purchased in the open market. So the subsidies involved would be about half of those which would be paid if the reallocation which I propose were not made. In other words, I would reallocate about half the Cuban quota. The other half would be purchased in the open market. There would be no subsidy with respect to it.

Mr. DOUGLAS. At the world price.

Mr. McCARTHY. At the world price; and the recapture, however we might receive it, would be approximately $80 million or $90 million. We could let the administration experiment to determine whether, if we give them the money, it would reach the people more effectively than it would if given to them under the Sugar Act.

Mr. DOUGLAS. In effect, then, the Senator would cut in half the savings to the Treasury which the Senate bill would make?

Mr. McCARTHY. That is one way of looking at it. On the other hand, it could be said that my amendment would save the Government approximately $80 million.

Mr. DOUGLAS. No; it is not quite as bad as the House bill.

Mr. McCARTHY. That is the amount that would be saved over the amount contained in the House bill; and $80 million is not a small amount.

Mr. DOUGLAS. It is not quite as bad. Does the Senator proceed on a 50–50 basis?

Mr. McCARTHY. Not quite; but as the Senator well knows, the titles by which most claims to property run are rather tenuous. The titles of rights to quotas under the Sugar Act are quite tenuous. There is no natural law to which we can appeal in this instance. Does the Senator agree?

Mr. DOUGLAS. Certainly there is no natural law; and there is no vested right, either. There is no vested right whatsoever.

Mr. McCARTHY. What would be the basis of a vested right?

Mr. DOUGLAS. Thorstein Veblen once defined it as the ability to get something for nothing.

Mr. McCARTHY. In that case the Senator would say that there are vested rights here which, in his judgment, have been getting something for nothing. I would not agree. In my judgment the witnesses for the sugar industry were reasonably accurate and reliable. The price we are paying does not involve their getting something for nothing. It may well be that we are paying more for sugar than we have to pay for it. The question is whether we would be getting something for nothing rather than the other way. It is my judgment that the premium sugar prices are reasonable and fair. I do not believe a clear case can be made to prove that we have given the countries something for nothing. We have, of course, given them something which they would not get if we had not paid the premium price.

Mr. MORTON. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. MORTON. I am sorry that I did not follow completely the Senator's argument, because I had to be absent from the chamber. It seems to me that what the Senator is doing it taking a halfway position.

Mr. McCARTHY. I am taking a halfway position, a position which is based upon the quotas which non-elected public officials, who are supposed to operate somewhat more freely decided on without pressure from lobbyists.

Mr. MORTON. Since the House has taken the position it has taken and because the temper of the Senate during most of the afternoon has been that we would oppose the House position, and because we were pretty well in agreement on most of the basic features of the Senate bill, why does not the Senator withdraw his amendment so that we may have a bargaining point in conference? We might well come back with something that approaches what the Senator is proposing. But if the Senator succeeds with his amendment we will really have no bargaining point, or only a 20 percent bargaining point. Then we will say to the House Members, "We have already yielded half. Now we will go the other quarter with you."

If we start with what we have in the bill of the distinguished chairman of the Committee on Agriculture, the Senator from Louisiana, we will go to conference and make an honest fight. The result might well be something of the kind that the Senator is offering. I do not know. Frankly, I do not like the concession even in the Senator's amendment. However, since we are dealing with possibilities and realities, we might arrive at something like this. I would not like to see us concede half our bargaining position tonight, when all afternoon we

seemed to agree, with few comments to the contrary, on the position of the administration and the chairman of the Committee on Agriculture and Forestry.

There is one other thing I should like to mention. I do not remember this amendment being offered in committee.

Mr. McCARTHY. I do not believe the Senator means to argue that no Senator can offer anything on the floor of the Senate that he has not offered in committee. The Senator knows how the committee operated on the bill.

Mr. MORTON. It is a delightful committee. It operates like a page out of Dickens. I am proud to be on it. One of the real reasons I want to be reelected is that I like the wonderful atmosphere which prevails in the Committee on Finance. It is the only thing I go to without having to pay an amusement tax. I like to serve on it. I love my service on that committee. If it were not for that committee and the Senate baths, I do not believe I would seek reelection.

Mr. McCARTHY. The committee seemed to be in a happy mood at the time they were considering the pending bill. I did not want to disturb that atmosphere.

Mr. MORTON. This was a highly controversial bill in committee. The Senator had every reason to feel that if there were any support——

Mr. McCARTHY. Is the Senator arguing seriously that I should not offer the amendment because I did not offer it in committee?

Mr. MORTON. No; but the Senator is already giving away half of our position.

Mr. McCARTHY. I am urging a position which I think is entirely defensible, and which I believe the conferees will be able to sustain if the Senate adopts the amendment. I am asking them to go into conference and stand firm and hold the line. I told the Senator from Oklahoma earlier that I had in mind offering an amendment relating to the global operations, and that I would present it on the floor of the Senate.

Mr. MORTON. The Senator has served in the other body, as I have. He knows that the Members of the House are a fine group of men, but tough bargainers. I do not think we should, tonight, give up half of our bargaining power.

Mr. McCARTHY. I have been successful in conference, even on matters that were contrary to the position of the chairman.

I have also seen occasions when, even before we saw the whites of the eyes of the House Members, a member of our conference committee said, "I move that the Senate recede from its position and accept the House amendment." There was no fight even with respect to half of it. Even before we could get to the conference room this Senator shouted, "I move that we recede from the Senate position." I am trying to firm up the position of the conferees.

Mr. MORTON. If the Senator goes half way we might not even get to the Supreme Court chamber.

Mr. McCARTHY. Or to the rotunda. I am trying to prevent the Senate conferees from backing up from where they are now.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. ELLENDER. The distinguished Senator from Illinois has asked most of the questions that I had desired to propound. I notice that the Senator has fixed a quota of 1,500,000 tons for Cuba.

Mr. McCARTHY. I intend to ask unanimous consent to change that. This is the estimate of what is left to them now. The fact is that that is about all that is left when we take away a million tons, because about 700,000 tons have already been eroded by giving it to domestic producers, and by other means.

Mr. ELLENDER. Under the pending measure Cuba would receive a little more than 2,400,000 tons.

Mr. McCARTHY. If that is the case, I wish to ask unanimous consent to have the Cuban quota remain what it is under existing law. The 1,500,000 figure was put in by mistake. I would leave with Cuba everything except a million tons, which is allocated in the formula I propose.

Mr. ELLENDER. Where would the Senator get the million tons?

Mr. McCARTHY. The Senator from Louisiana said that Cuba has——

Mr. ELLENDER. About 2,400,000 tons at the most.

Mr. McCARTHY. After what?

Mr. ELLENDER. That is its quota under the pending bill.

Mr. McCARTHY. Under the bill?

Mr. ELLENDER. Yes. The Senator is allocating over a million tons.

Mr. McCARTHY. Yes.

Mr. ELLENDER. The Senator could not set aside as much as 1,500,000 tons.

Mr. McCARTHY. The language was put in by inadvertence. My point is that Cuba would retain all of its present quota, its legal quota, with the exception of 1 million tons, which would be allocated.

Mr. ELLENDER. The Senator would not have any to allocate if he gave to the countries named in the Senate bill the quotas he proposes. If added together the amount of the sugar that is allocated——

Mr. McCARTHY. That figure should not have been put in. The foreign allocation is something like 3,890,000 tons.

Mr. ELLENDER. Domestic?

Mr. McCARTHY. Foreign.

Mr. ELLENDER. But does that include the Philippine allotment?

Mr. McCARTHY. Yes.

Mr. ELLENDER. If we take the Philippine allocation from the entire allocation, plus the domestic allocation, there is left 2,800,000, in round figures. Of that amount Cuba would receive, under the bill, about 2,450,000 tons.

Mr. McCARTHY. The total foreign allotment is 3,890,000 tons.

Mr. ELLENDER. That includes almost a million tons for the Philippines.

Mr. McCARTHY. Yes. If we take the Philippine allocation plus my proposed reallocations and those that are in the historic allocations, it comes to 2,372,000 tons. If we subtract that from the 3,890,000 tons, it leaves 1,500,000 tons for Cuba. I said the figure of 1,500,000 should not have been made specifically. It would be what is left.

Mr. ELLENDER. With all due respect to the Senator, I do not believe there would be as much as 900,000 tons to distribute if Cuba were allocated the 1,500,000 tons which it is proposed to allocate to all other foreign producers the amount specified in the bill.

Mr. McCARTHY. A portion of the Cuban tonnage would be in the world market and it could be returned to Cuba at the proper time.

Mr. ELLENDER. But the Senator would allocate on a permanent basis practically all the Cuban quota with the exception of 1,500,000 tons.

Mr. McCARTHY. That is correct; about half of it.

Mr. ELLENDER. That is all that could be allocated to Cuba if she should return to the fold.

Mr. McCARTHY. Under the terms of the bill, that is correct; that is what I propose to do.

Mr. DOUGLAS. Does not the same objection fall upon this point as upon the House bill, namely, that Cuba originally had 3,200,000 tons; the administration reduced the allotment to 2,500,000 tons; and the House proposes to reduce the allotment to 1,500,000 tons?

Mr. ELLENDER. That is correct.

Mr. DOUGLAS. Would not this be very difficult for the anti-Castro Democrats to agree to? Would it not be very hard to get their support if they knew that upon coming back they could have only 1,500,000 tons? The administration bill would provide 2,500,000 tons.

Mr. McCARTHY. My amendment would give them more incentive than would the House bill.

Mr. DOUGLAS. But not as much as the Senate committee bill provides.

Mr. McCARTHY. That is quite right. The other point, which I mentioned earlier, is that the Senate bill provides that at the end of 5 years no premium payment would be made in any case, so there is a serious question whether their coming back would be profitable. The incentive would be reduced by the fact that they might come back at the world price, which does not allow for the payment of a living wage.

Mr. DOUGLAS. The junior Senator from Minnesota is always frank, honest, and honorable in all his dealings. I know it is difficult to deal with these complicated factors. The Senator now says that Cuba would get only what would be left. I ask him if he will check his figures again to see if he has not double-counted the Philippines. If he has double-counted the Philippines, Cuba could be left with almost nothing. I wish the Senator would have his assistants check the figures.

The Senator from Minnesota is a shrewd, disarming man. Was not the comment of the Senator from Kentucky [Mr. MORTON] well taken? Could it not be summarized by saying that if there were a 50–50 split now, even before a compromise, it is likely that the compromise at the end would be 75–25? Even a 50–50 split would be a very bad thing and I believe his amendment, even as a compromise should be rejected. Would it not be better, as the Senator from Kentucky suggested, to try first to get 100 percent, and then try to stick

by it, rather than to start to retreat before the conferees enter the conference?

Mr. McCARTHY. If the Senate conferees wish to compromise something in conference, I suggest that they might retreat from the Senate position, which provides for the phase-out of premium payments to the quota countries. I do not think it is defensible to say that over a 5-year period we would reduce the payments to the point where we will buy sugar at the world price. If it is necessary to make some concessions to the House on that point, we could hold this line; and there are other areas in which a compromise might be made. The Senator from Georgia [Mr. TALMADGE] has a compromise position which he discussed in committee. This might appease the House.

Mr. MORSE. Mr. President, will the Senator from Minnesota yield?

Mr. McCARTHY. I yield.

Mr. MORSE. Do I correctly understand that by his amendment the Senator from Minnesota proposes to divide a part, but not all, of the Cuban quota among foreign suppliers?

Mr. McCARTHY. Yes; slightly less than half.

Mr. MORSE. Do I correctly understand that the domestic producers would not get any of that division of the quota?

Mr. McCARTHY. My amendment does not relate to domestic producers, because in the bill we have already extended the share of growth incentive to domestic producers.

Mr. MORSE. That is true. That satisfied them, as I understand their position, because they understood that all the rest would go on the world market. The Senator from Minnesota has offered an amendment which would take a part of this amount off the world market and put it on a real quota basis by adding to the quota of foreign suppliers. So it seems to me that the domestic producers would be bound to feel that they ought to get some additional share of the quota division proposed in the Senator's amendment, if it is proposed to change what are considered the rules of the game by adopting the McCarthy amendment, when they thought that if they went along with the additional allowances to them under the Senate bill, the rest of the Cuban quota would go on the world market. That will no longer be the case.

I suggest that those of us who come from sugar-producing States will have to do some answering with regard to the position which will be taken by our domestic producers. They will ask "Why did you not seek to have a part of the quota division, which the McCarthy amendment proposed, added to the concessions already made to the domestic producers?"

Mr. McCARTHY. I do not think the Senator is speaking after having consulted with any of the domestic producers. So far as I know, the domestic producers were favorable to the program I have proposed. They were opposed to the idea of a global quota in the beginning. They were in favor of a larger allocation of the American market to domestic producers. But so far as the remainder of the tonnage is concerned, they did not ask for quite so much as the Senate has given them in the bill.

Mr. MORSE. Was that because they did not want more, but asked for what they got because they thought it was all the traffic would bear?

Mr. McCARTHY. In part, I think it was because they were in favor of a balanced program. They could have said, "We want to produce all the sugar we can market. The potential is here." It is a question of how the subsidy is met and how the cost is explained. I think we have arrived at a reasonable, balanced program as between domestic production and supply and foreign supply.

So far as I know, all the domestic producers were opposed to the global quota idea. They did not want to have the Cuban quota thrown into the open market. They were in favor of having it allocated. At least, they should be as much opposed to the Senate committee bill as to my amendment, because the committee bill puts over 2 million tons of sugar in the open market under the committee bill, as compared to approximately 1,500,000 tons under my amendment.

It seems to me, so far as their position is concerned, that to the extent they were opposed to global quotas, they should be more favorable to my amendment than to the action taken by the committee.

There is no opposition to my amendment from the domestic growers, although there was opposition when the general proposal of global quotas was under discussion some months ago.

Mr. MORSE. Does the Senator from Minnesota know of any opposition to the Senate committee bill on the part of domestic producers?

Mr. McCARTHY. The sugar industry generally favors national quotas; and to that extent they should be more in favor of the bill with my amendment than without it.

I do not have a signed and sealed document to support that position, but I think it is a fair judgment of the position of the entire domestic industry.

Mr. MORSE. That is why I am carrying on this colloquy with the Senator from Minnesota. I do not know what may be the position of the domestic producers in regard to the Senator's amendment; but I ask him whether he thinks I am correct in the impression I have formed regarding the position of the domestic producers about the Senate committee bill—namely, that they prefer the Senate committee bill to the House-passed bill.

Mr. McCARTHY. I do not think such a statement has been made; and, so far as I know, it might not be true.

However, I intend to put in the Record statements of or testimony by the Puerto Rican sugar industry, the Hawaiian sugar industry, and various other sugar industries, all of which agree that global quotas would be a great mistake.

Mr. MORSE. Does the Senator from Minnesota think I am in error in my impression that the domestic producers were pleased with the increases in allocations which they would gain from the Senate committee bill?

Mr. McCARTHY. I think they will be pleased, because even though they may feel that would give them a little more than they can absorb right now, yet I do not think they will say that publicly. But I say this in view of the position they took earlier. The opinion expressed by some who are supposed to be experts in this field was that 63 percent was about all they could absorb now. So to give them 65 percent would create some problems, and there would have to be some holdback until they could get the other mills ready. But the original idea was to give sufficient acreage to permit the addition of one mill a year. So if even more is given, the question will be what to do with it—whether to allocate it to the areas now producing, and give the mills which are operating there an opportunity to expand their production; or to hold it back until enough accumulates to make it possible for a new mill to be built.

So, for that reason, although I think that what the Senate committee bill provides may be too much, yet I do not think they will say they cannot live with it.

Mr. MORSE. The Senator has answered my question. I merely wish to have the RECORD perfectly clear, for the benefit of the sugar producers in my State, because I have heard from them in regard to the House-passed bill, and there was no doubt that they sought the advantages the Senate committee bill gave them by increasing their allotments. But I have not heard from them in regard to the Senator's amendment because there has not been time to hear from them about it. So I raise this point because I wonder whether those of us who represent States in which sugar-producing industries are located might be confronted with the question of why we did not seek to have some of the additional allotments that the Senator from Minnesota now proposes to have given to foreign suppliers, given as a further increase of the domestic allotments.

Mr. McCARTHY. My amendment would not give other countries a larger quota than they receive under the terms of the Senate committee bill. The point is that my amendment would give them more of a quota on which premium prices would be paid.

However, let me say that if the Senator from Oregon finds that he is in trouble in his State in connection with this measure, let me say that I will be in worse trouble, because there are approximately 95,000 acres of sugarbeet producing land in my State; and if my amendment would cause them trouble, surely I would have heard from them by now.

As a matter of fact, if the position they took in opposition to global quotas was taken on the basis of their actual belief—and I have no reason to doubt that it was—then I think they will support my amendment as certainly better than

global quotas. They might prefer to have all of it allocated, but it is obvious that that will not happen at this session of Congress.

Mr. MORSE. I thank the Senator from Minnesota for helping me make the legislative history on this point.

Mr. McCARTHY. I appreciate the questions the Senator from Oregon has asked, because I think he has helped clarify the point.

Let me say that if there are other Senators who are concerned about the beet sugar industry in their States and the situation of those industries under the provisions of my amendment, I hope they will ask questions, too.

Mr. President, the Sugar Act has been in effect since 1934, and I think the RECORD shows that it has worked remarkably well since its inception. In my opinion, the successful working of the act is attributable to a number of things. First, it was conceived on sound principles; and the objectives were stated clearly; and the program was designed to accomplish them, insofar as one can hope to accomplish them in a rather difficult area of the world—Central America and the Latin-American countries.

I know the program has not solved all the problems in Latin America. After all, the Sugar Act was not discovered by many Members of the Senate until the Castro developments occurred. Until that time, even though the act had been in effect for about 25 years, it had not achieved prominence. But with the emergence of Castro, suddenly some discovered that the answer to all the problems of Latin America was to be found by adjusting the sugar quotas. That was the answer reached by the Senate last year.

This year the answer is to take away all the Cuban quota and reassign it to the countries of Latin America, and that will solve the problems of Latin America. In other words, the idea is that by using the former Cuban quota to aid the Alliance for Progress, real progress in that part of the world will be made.

However, I suggest that if we pay attention to the problem and if the administration will give serious attention to the allocation of quotas based upon internal reforms and existing conditions in these countries, there is a possibility that we can do some real good by allocating the quotas and, particularly, by paying reasonable premium prices to those countries.

Certainly no one thinks that if our Government collected all this money and turned it over to the government of one of the Latin American countries, all of a sudden the money would get down to the ordinary people. The record thus far does not show that that would happen and that such a procedure would be a better way.

On the other hand, I think there is a real possibility that a properly adjusted sugar quota program could bring about improvement in the conditions existing in the Latin American countries. In fact, we know that has happened in some countries, although the indications are that in some countries the reforms have been slow and inadequate. However, we find that in other countries there has been great improvement in the way the sugar workers have been treated; and when that has happened, I think it has been due to the fact that we have been willing to assign quotas and to pay premium prices.

However, if the sugar production of those countries had been sold in the world market, I think the conditions which then would have developed in the Latin American countries would have been worse than the present. The fact is that we must be satisfied with rather slow progress; that is all we can hope for under the circumstances.

Some persons say that our responsibility in this situation is only to pass judgment on history and to say that if everybody else was like us, things would be much better. That is like saying that if a man is drowning, one should stand on the shore and yell to him to take a great big deep breath of fresh air.

However, this is one way to deal with the existing problems—in other words, to acknowledge that the problems are complicated, and that the program has certain defects, and that it has not been administered as well as it might have been; but to realize that at least it is better to continue with it than to throw out the entire program, and to realize that the answer to the existing difficulties is not to create chaos—which is what, in effect, we would do to the entire sugar industry if we were to throw 2½ to 3 million tons of sugar into the world market and put it up for grabs between ourselves and the Communist nations.

So the program is based on sound principles, and I believe it has been reasonably well administered, considering all the difficulties; and I think this is a case in which the cooperation between Government and industry has been commendable. True, there are some faults, and there has been some profiteering and some exploitation. However, taking all together, I think this sugar program is one of the best examples of the way in which Government, together with industry, cannot only work out domestic problems, but also can make some progress in the solution of international problems; and I do not think the record in connection with this program is so bad that we should take the drastic action of throwing all of this sugar into the world market and then proceeding to buy the sugar we need for whatever price we have to pay for it—whether 2 cents or 5 cents or 10 cents, if the price were to go to that.

The country-by-country quotas with price incentives have proved their value and their workability, I think, in protecting the supplies to the consumers in this country, under all conditions.

For example, a brief reflection on what happened to the price and to the supplies of sugar during World War I, in contrast to what happened in the course of World War II, indicates that that is about the best practical evidence we have as an argument for continuing this program.

There are some who say the next war will be a short war, and that we do not have to be concerned about those supplies. I might note that this same philosophy is not being followed with regard to the quotas on foreign oil imports into this country.

If I may have the attention of the Senator from Oklahoma [Mr. KERR], I have just raised the question of oil, and I thought the Senator might want to respond. One of the arguments made in support of the sugar program was that we needed an assured domestic supply in case of war. Some say it is no longer important to have an assured domestic or foreign supply, and that since the next war will be a short war, we do not have to be concerned about it. This is not a sound argument. It is not an argument that is accepted with respect to quotas of foreign oil imports into this country.

Mr. KERR. Mr. President, if the Senator will yield, I do not know of anyone who can assure us that if we have another world war it will be a short war.

Mr. McCARTHY. That is correct. So we ought to have a reasonable supply of sugar within reach of the United States, or at least produced by countries which are in some way committed to us or are friendly to us, instead of going into the open market to seek sugar.

The Communist bloc controls two-thirds of the sugar which goes into the world market. Since that is a fact, this is not a particularly good time to embark upon a kind of untested program to subject all of our foreign supplies that we do get from the world market to the manipulations of the Communist bloc.

Those who are in the oil industry have had some experience and familiarity with the manner in which oil supplies have been manipulated by the Communists. Perhaps that is a more important commodity than sugar, but I submit that sugar is a very important commodity.

In addition to all these facts, I do not think it is wise for the Senate to approve what is evidently a suddenly conceived idea that the way to progress is to go into the world market and buy sugar at whatever price we have to pay on the world market.

I think it is obvious that the economies of the countries which have been supplying sugar to the United States, and those which would supply a quota granted to them for a reasonable premium price paid to them, would certainly suffer severely if they were thrown into the world market and called upon to sell their sugar in that kind of unreasonable and unfair competition.

There is some reason to question whether or not the sugar quota premium, if it is held back, would improve our budget or help our balance-of-payments situation, since, insofar as I know, every one of the countries from which we buy sugar and for which we pay premium prices today is a country in which the balance of payments runs against us. In other words, they are buying more from us than they are shipping to us. They owe us money. These are countries than have an unfavorable balance of trade with the United States. For every dollar we spend there, they

buy more than a dollar's worth from us. Therefore, the effect might be to make the balance of payments even worse than it is now.

This balance of payments argument is one that can go to infinity, once we enter into it. Since some have made arguments that it would help the balance of payments, I think, in opposition, I could also make a rash judgment. One rash judgment calls for another. Sweeping analysis on economic trends and economic history have been made here today. I would like to place a question mark after each of the declarations and say there is reason to doubt whether any good, would be accomplished by global quotas with respect to payments and flow of gold.

The establishment of global quotas would adversely affect domestic producers, consumers, and refiners. In my opinion, this could very well happen. If the judgment of those in the sugar industry is to be relied upon, this is their opinion. They believe that to throw this sugar supply upon the world market and seek it there would be bad for domestic producers, consumers, and refiners. I know of no one in the industry who has disagreed with this statement. This is their position. We are preparing to put approximately 2 million tons in the world market, or to throw it into what is called a global quota.

I should like to take up some of the arguments that have been advanced by those who propose the global quota and premium recapture program. In a general way, these are the arguments that have been made:

First, that the proposed program would better insure adequate sugar supplies for the United States. I do not know how we could insure more adequate sugar supplies for the United States than we are now getting under existing legislation, under national quotas. We have all the sugar we need. We have tried and trusted suppliers who are willing to supply more. The reason is that we have been paying those suppliers a reasonable price and giving them reasonable quotas. This fact was demonstrated during the war, when they could have gone into the world market and obtained higher prices than we had been paying, but they continued to supply us.

So, on the record, we have adequate supplies, and, second, under difficult conditions, with the temptation to sell on the world market, they continue to supply sugar to us.

It might be argued that we are paying too much. If someone wants to make a case that the premium prices are too high, that they are unreasonable, that they should be cut down, that case should be made; but that case has not been made. The argument has been made that we should go into the world market and buy sugar at whatever price sugar is being sold for.

The second argument being made is that U.S. purchases in the world market would stabilize and increase world market prices. This depends upon the condition of the sugar market. It might be possible, under certain conditions, for example, if the United States went into the world market to buy 3 million tons of sugar, to stabilize prices; but if we accept, at the very beginning, the fact that there is an oversupply of sugar in the world market today, we would have the same condition we face in this country with respect to oversupplies of agricultural commodities.

In the pre-New Deal days an effort was made to establish a program of buying stability back into the market. The Senator from Louisiana [Mr. ELLENDER] is familiar with that. The Government was to buy enough to stabilize the market. The program had to be abandoned. We have experienced the same thing under the farm program, which the Senator and I are trying to change. The idea that if we buy enough, we must stabilize prices, is correct if there is a limited supply; but when the supply exceeds the expected demand and there are no organized sellers, what happens? The very thing we have seen here; and that very thing will happen on the world market. The price will be depressed to the point where it will not bring a fair return or a fair profit to the person producing and distributing it to the country. This is certainly the case in the world market. We are up against separate and impoverished suppliers who are in no position to try to control the supplies on the market.

In the market one will find the Communist bloc, which will play with its trade with sugar or with any other commodity in any way helpful to its purposes. It will seek to disturb a country internally or to disturb international relations. Despite this we would say, "Fine; we will give you 2 or 3 million more tons of sugar with which to play your game." This is the proposal included in the bill reported by the Senate Committee on Finance, which suggests that all of the Cuban quota be thrown into the market and be put up for grabs by the Communists or by us or by anyone else.

Under those conditions, there would be an oversupplied market, supplied by poor people who would not be in a position to attempt to control the release of their product on the market. The situation would be much like the one that existed in the United States in the agricultural depression. Eight cents, ten cents, or twelve cents a bushel would not pay for the cost of production, but would people sell at those prices? People were glad to sell at those prices. There could be a similar situation in regard to international trade with respect to sugar.

It has been argued that with a lower price paid by the United States in the world market the foreign countries would tend to reduce world overproduction and particularly the overproduction among the U.S. suppliers. This is an old argument. We hear this argument every time the Senate considers a farm program for the United States. It is said, "If you reduce prices, everybody will stop producing." We know that this argument is not sustained in regard to domestic agriculture. There is no reason to believe that it would be sustained in regard to the world sugar market, particularly since many of the producing areas, because of the nature of the islands or the countries, or because of an inability to adjust, will produce sugar. This is the only crop which these countries are able to produce or know how to produce.

That is another argument which is made which is not sustained in theory or on the record.

Fourth, there is the argument that the premium capture will help to balance U.S. budgets and improve the balance-of-payments position. I discussed this earlier. This is subject, I think, to some very severe and direct challenges.

Fifth, it is said that the global quota will make it easier for the Cubans to reenter our market. I think the fact that we would allocate some of the Cuban quota on a 4-year basis might be of help. If other countries get used to having the quota, they will protest returning it to Cuba, but I do not think it would be inevitable that we would not return some of the quota to Cuba if political conditions in that country should improve.

Some changes are taking place in the Cuban economy now, as a result of which Cuba might not wish to produce 3 million tons of sugar for the American market. I think it was a mistake through the years not to try to bring about some adjustment in the economy of Cuba, so that Cuba would not be so dependent on one export crop.

Senators have talked about the need for keeping the quota, which would make Cuba a one-crop country in the future. At the same time, Senators have talked about the reasons why it is necessary to diversify industry and agriculture in the other Latin American countries, so that they will not be one-crop countries. Where is the consistency of those arguments? What is the value of an argument that we should keep the quota, which would maintain Cuba as a one-crop country, while we talk about the fact that other South American countries should not be dependent only upon cotton or coffee, or that countries in other parts of the world should not be dependent upon tin alone, or whatever the particular commodity may be?

It has been our policy to seek a diversification of industry and of agriculture, yet there are those in the Senate who are saying, "We must keep this quota so that Cuba will remain a sugar-producing country and not much else."

We ought to look at the total picture in this case. In addition, there is some talk about returning the quota to Cuba. I raised a point in this regard earlier. The Senate bill provides a 5-year period. After 5 years there would be no premium payment to Cuba. Unless Cuba should reform within 5 years, there would be no premium payment. If Cuba should reform within 2 years, Cuba would get a premium payment somewhat better than the world price, and after 4 years Cuba would get a premium payment only 20 percent above the world price. After 5 years Cuba would return to a share of the world market, under the provisions of the bill. It has been said that even a share of the world market would be gratefully received by Cuba at that time,

because Cuba can produce somewhat more efficiently than some of the other countries because the transportation problem is easy to solve. That may be true, but I suggest that if it is hoped that the thing which is to bring Cuba back to us is the advantage Cuba has because of transportation costs between Cuba and the United Sttaes for sugar, with no premium payment to them, we are hanging our hopes on a very thin thread.

I think the administration should have given us a better argument for global quotas than this. I refer not only to the administration, for others are making the same case.

Another argument which is made is that the Government agencies would be relieved of pressures from foreign countries which are seeking quotas. I suppose that would be true. If we think that the Government agencies and the Congress should be relieved from all the pressures of people who are seeking quotas, well and good. If we think that the administration should be relieved from all the pressures from countries which are seeking special privileges or quotas, or a share of the Alliance for Progress money, to whom should we turn for the making of such hard decisions? We could say, "We cannot trust the administration to make them. We cannot trust the Congress to make them. Perhaps we could get some Wall Street firms to take care of the situation for us." That would mean getting businessmen into the Government. No one would say that there is pressure on businessmen, when people come looking for contracts that would be as free as the air.

This is an argument about Government agencies. This is one of the arguments against having the Congress allocate quotas. Some say that Congress should not be subject to such pressures, that Members of Congress should be protected from the lobbyists who descend upon us. Perhaps we should be. Perhaps the administration representatives should be protected from lobbying pressures. Perhaps we should not let them talk to anybody. Perhaps we should all go up on the mountainside and stay for 3 months, as some primitive tribes do, to solve all our problems, and then come down to say, "Here is the law."

That is not the way a democratic government such as ours works. We are subject to pressures all the time.

If we wish to let decisions be made by the free pressures of international markets, let us apply that principle everywhere. Let us apply it to the oil situation. Let us not provide a protection for 85 percent of the market for domestic oil production. Let us have a world market in respect to oil.

There is pressure on someone whenever the question of the allocation of oil is being considered by the Government. I think there is pressure on somebody whenever the question of textile quotas is under consideration.

These decisions are not made in a vacuum; yet suddenly, when we consider the problem of sugar, it is said, "We cannot subject ourselves to any kind of pressure. Congress should not be subjected to these pressures, and members of the executive branch of the Government should not be subjected to such pressures."

This may be true. I think it is a kind of defeatist attitude. I think it shows a lack of confidence both in the Congress and in the administration.

My friend the Senator from Oklahoma suggested, with respect to my previous amendment, that I showed a lack of confidence in at least one member of the executive branch of the Government. I suggest that if the Congress should refuse to face up to making these decisions it would show a lack of confidence both in the Congress and in the executive branch of the Government.

I am not willing for the Congress to go all the way in either case. I am proposing a real compromise. I am accepting as a basis for my amendment the quotas which the members of the executive branch of the Government determined to be proper last year.

I assume that the administrative branch was relatively free from pressure. I am suggesting only that Congress have the boldness or confidence to accept quotas which were arrived at by the executive branch of the Government, and to moderate them somewhat, to show our lack of complete confidence in the executive branch and also in ourselves. This, it seems to me, is more of a compromise than we are really called upon to make. I suggest that we say, in addition, "We will let the free market for sugar take care of a part of the problem."

Everyone should be happy with that proposal. It shows some confidence in the State Department and in the administration. It shows some confidence in the Congress. It shows some confidence in the world market. It is not often that a man has an opportunity to support a program which spreads confidence around as broadly, as freely, and as properly as I think my amendment spreads it around.

It has been said that the premium capture would enable us to extend aid more effectively to those who need it, thus producing a better distribution of sugar dollars. This may be true. The allocation of quotas by the administration in the bill which it sent to the Congress, with respect to historic quotas, could have been better. An allocation of the Cuban quota might be better arrived at than that which I would provide in the amendment I have offered. But I do not think it has been established, if we were to draw back the whole program or to take back half of it and turn it over to the State Department, the Alliance for Progress, and AID, that the sugar dollar would be better used or would reach more of the ordinary people than would be done if the administration had come to the Congress with realistic and solid proposals for reallocation of the sugar quotas on a country-by-country basis with a provision for premium payments. This is my opinion.

I offer this compromise or halfway measure, if one wishes to call it that, because I believe less harm would be done under it than would be done if we should throw the quotas into the global market.

The way would be left open to determine reasonable country-by-country quotas. The executive branch of the Government might make a real study of the sugar industry on a country-by-country basis and come back to us. Certainly we will have served notice on the countries involved that Congress is concerned over their failure to use the sugar program to improve the living conditions of their people. By accepting the measure as a halfway proposal—a compromise measure—we will certainly have served notice on them that we will give them time to make some adjustments. We will give the administration time to bring to Congress some solid proposals for consideration next year, and we shall not demoralize the sugar market as most of the people in the domestic sugar industry believe global quotas would demoralize that market.

I think those are sound and reasonable arguments. I think they deserve the attention of the Senate, as they might have deserved the attention of the Finance Committee had I been given time or the opportunity to present them in that committee. I hope that Senators who in times past have reversed the Finance Committee will not feel that the fact that I did not expose the full virtue of the amendment in that committee is any reason for not acknowledging its virtue on the floor of the Senate.

The final argument that is made against the global proposal is its possible injury to the domestic industry. The opinion of those in the domestic industry as stated to the committee is that global quotas could result in serious injury to the domestic industry. I know of no better witnesses to call on that point than the representatives of the industry itself. We have been listening to such witnesses testifying on the question of the taxation of corporations doing business overseas. Some people say, "You cannot get better testimony than that of men who are engaged in overseas business."

We have a Sugar Act. We have the testimony of men who are engaged in the sugar business. All of those witnesses—cane and beet growers, processors and refiners—have said, "This would be demoralizing. This is bad for domestic industry." Yet I suppose the testimony of those witnesses is to be cast aside as incompetent.

Does the Senator from Wisconsin wish me to yield?

Mr. PROXMIRE. I wish to ask the Senator a question when he is through.

Mr. McCARTHY. I may be some time.

Mr. HUMPHREY. Mr. President, will the Senator yield to me?

Mr. McCARTHY. I yield to the Senator from Minnesota.

Mr. HUMPHREY. I merely wish to ask a question with reference to the Dominican Republic. The sugar quota for the Dominican Republic is a matter of great international importance, whatever may be the procedure that is used in terms of the purchase of sugar from the

Dominican Republic. What does the amendment of the junior Senator from Minnesota include for the Dominican quota under the formula which he has developed?

Mr. McCARTHY. The Dominican Republic has a historic quota of 111,000 tons. In the committee bill it is suggested that the 111,000-ton allotment be continued. That is called a historic quota. It goes back before 1961. Last year when the Cuban quota was reallocated, the Dominican Republic was given 222,000 tons additional. My amendment would give them not 222,000 tons, but 75,000 tons. My amendment provides that any country that supplied us with more than 300,000 tons to make up the deficit resulting from our closing off the Cuban supply be given 100,000 tons. Any country supplying us with a somewhat shorter quantity than that, down to 150,000 tons, would be given 75,000 tons. So my amendment would result in the Dominican Republic receiving 75,000 tons. On the basis of the figures that have been used here, the subsidy would involve about $50 a ton.

The Senator can see that three-fourths of $50 million would be involved by way of increased payments to the Dominican sugar producers. All or much of that quantity, we assume, would filter down to the workers and everyone else involved in the production of sugar in the Dominican Republic.

Mr. HUMPHREY. Does the Senator recall the amount provided in the House bill? I do not have a copy before me.

Mr. McCARTHY. The House bill provides that the quota for the Dominican Republic shall be raised to 200,000 tons, and that it be given a reallocation from Cuba of 150,000 tons, which would result in a quota of 350,000 tons.

Under my amendment the Dominican Republic would receive roughly half of that amount. The House has proposed a total allocation of 350,000 tons to the Dominican Republic. My amendment would propose 111,000 plus 75,000 or about 186,000 tons.

Mr. HUMPHREY. I wish the amount for the Dominican Republic were larger. Later in the debate I intend to have something to say about the sugar quota for the Dominican Republic. It seems to me it is one of the most crucial areas of the Latin American region, and we ought to be exceedingly careful in what we do about it. Sugar is an important commodity to the Dominican Republic and we should be generous in our purchases in order to help strengthen the economy.

I wish to ask my colleague another question. Is it not a fact that many of the countries which during the past few years have lived under the so-called quota system—under the so-called historic quota in particular, and some under recent allocations—have given their workers substantial increases in terms of social benefits and wages? I refer to Mexico, Peru, Costa Rica, and some other countries.

Mr. McCARTHY. The people from those countries who have spoken before our committee indicated that what the Senator said is correct. We asked almost every witness who appeared what was being done in his own country. Almost everyone said there had been some improvement. But, as I recall, the three countries named by the Senator were among those that reported marked improvement in wages, welfare, and working conditions of the sugar workers.

Mr. HUMPHREY. Will the Senator permit an observation?

Mr. McCARTHY. I yield to the Senator.

Mr. HUMPHREY. As I understand the argument against the so-called country quota system, it is that the benefits do not accrue or flow to the workers and to the local governments in terms of social improvement.

Mr. McCARTHY. That is one of the arguments that is made.

Mr. HUMPHREY. Is it not a fact, however, that if an overall global system were adopted, the moneys that would be collected under that system by our Government, which the Department of State has said it would utilize for the Alliance for Progress, would be paid back to the very same governments that have jurisdiction over the same plantations or sugar facilities in those countries? In other words, we would be dealing with exactly the same social and political structure.

Mr. McCARTHY. Yes, unless it were to be taken from one and paid to another.

I think that would be rather unsettling in Latin America. It might be said, "We bought world sugar from this country. We recaptured some money from it. We turned around and paid it over here." Assuming that the administration could get authority to make that kind of transfer—and it does not now possess such authority. There is an assumption that the sugar money can be collected and somehow given to them to use as they see fit.

The other question that the Senator raised is unanswered. That was the question as to whether the country can get the money to the people who need it and to the places at which it is needed any more effectively.

Mr. HUMPHREY. As I understand my colleague, the point he is attempting to make, without going into the exact provisions of all the arithmetic in the formula, is that the global quota system is an untested proposal. It is a calculation alleged to work better than the country quota system, but without adequate proof that the global quota system has any greater virtue to it than the system we now have.

I am deeply concerned about the sugar bill as it relates to domestic production. I am also worried lest we enact a bill that contains provisions which are unacceptable to both Houses of Congress and thereby be forced to return to the extension of the present law.

Mark my words, if we have another 1-year extension, there will be more acres planted into beet sugar, which in turn will mean more refineries, which in turn will mean that every Member of Congress will be asked to support what has already been planted in terms of domestic production. This will result in the entire sugar program becoming evermore complicated insofar as international relations are concerned.

I have taken a rather dim view of the original proposal of the State Department asking for the global quota. I have supported the Sugar Act on the basis of a sizable portion of the old Cuban quota to be allocated on a global quota basis; also, that the historic quota for countries as well as some of last year's allocations such as the Senator has mentioned should be included in the bill. I believe it is a fair and rational approach.

Mr. McCARTHY. I might say, in response to the statement of my colleague, that when the Cuban quota was made available to us it presented us with a great opportunity to set up quotas which reflected the fact that we expected countries to make improvements, and that we would set up temporary quotas with the understanding that, unless improvements were made, the quotas would be withdrawn. I believe this was generally taken into account in the assignment of quotas last year. To the extent that such quotas were considered, this is the base upon which I am proposing the 4-year extension, a limited extension, of these allocations. I certainly do not believe that we should go all the way and throw this sugar into the open market, a market in which there are forced sales.

Mr. HUMPHREY. Mr. President, may I ask one more question? I notice that the Senator's amendment provides:

(B) Any nation which did not have a historic quota shall also be assigned a quota based on the share it supplied under the reallocation of the Cuban quota, in 1961–1962, as follows.

Does the amendment apply to all the countries that were allocated a portion of the Cuban quota, countries which previously did not have historic quotas but which were included under an allocation of the Cuban quota for the calendar year 1961–62?

Mr. McCARTHY. The Senate bill provides for a continuance of the historic quotas. I do not disturb that provision. Countries that did not have a quota before 1961–62, but which were given a share of the Cuban quota, will receive an allocation according to my formula.

Mr. HUMPHREY. The reason I asked the question is that I notice that the table from which the Senator was quoting shows that the figures are strictly on the basis of 1961. I wonder whether the amendment applies also with respect to a table which might be based on 1962. I understand there are certain other countries included in 1962 which were not included in the allocation of 1961.

Mr. McCARTHY. My intention was to use the 1961 base.

Mr. HUMPHREY. The amendment provides "1961–1962."

Mr. McCARTHY. It runs through June 1962.

Mr. HUMPHREY. The Senator is setting it up through June 30, 1962. Is that correct?

Mr. McCARTHY. Yes.

Mr. HUMPHREY. I thank the Senator.

Mr. McCARTHY. The record on this proposed legislation should be a full record, and I intend to try to make that record in terms of the history of the act, and some of the significant aspects of the legislation which is being considered, and the consequences of it.

As Members of the Senate know, I indicated my willingness to have a discussion of the amendment tonight and to vote on it some time tomorrow. I have really made only a beginning as of now. There has been more interest indicated in the amendment as Senators have come to look at it, and more interest in the program as we have discussed it. I believe it will be another hour and a half before I can finish my statement.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. McCARTHY. Others Senators may wish to speak on the amendment. I yield to the Senator from Montana.

Mr. MANSFIELD. I suggest that the Senator continue to discuss the amendment. The Senator will recall that the leadership tried to reach an accommodation for the benefit of the Senator and some of his colleagues. At that time the Senator told me that he could finish his argument in a half hour and would be prepared to vote on the amendment at a time certain tomorrow. I do not know what more the leadership can do to reach an accommodation which would be of benefit to a certain Member of the Senate and to all Members of the Senate. It is now a quarter to 10. Many of our colleagues have broken their engagements. If we must do so, we ought to be prepared to remain longer. I sincerely hope that the Senator will continue with his argument in behalf of his amendment.

Mr. McCARTHY. While the sugar market has some unusual characteristics, I believe it can be said that the world market is not a representative market.

In 1960 to 1961 world sugar production of approximately 60 million tons exceeded consumption by approximately 6 million tons, an excess production of about 6 million tons, or 10 percent. We know what happens in a domestic market when uncontrolled, unregulated suppliers are producing 10 percent more than the market demands.

In 1961 to 1962 with some acreage cutbacks and less favorable weather conditions, it is expected that production will be brought more nearly in line with consumption.

Ninety percent of the world production is marketed under special arrangements either within a particular country itself or among a group of countries, Only 10 percent, or 6 to 7 million tons, is uncommitted and sold in the world market, whereas 90 percent or more of the sugar produced is at the present time being sold in a protected market. To talk about our insisting that the 2 or 3 million tons we are concerned about be purchased in the open market is to say that we intend to seek to purchase between 25 and 50 percent of all the sugar in the free world market.

Current prices for sugar in the so-called world market do not reflect either reasonable values or production costs for such sugar.

From 1948 through 1958, prices of world sugar averaged 4.11 cents a pound. If 1951, a Korea year, and 1957, the Suez year, are omitted, this average price would be 3.82 cents a pound. These prices reflected fairly accurately production costs in the areas selling sugar in world markets.

Even so, most world market sellers received average prices for all of their sugar which were above world market quotations. This was because of higher prices at which sugar sold either for consumption in the country of production or in preferential markets where conditions were more favorable than those in the world market. For example, during the period 1948 through 1958 Cuba sold approximately one-third of the sugar output at an average world price of 4.11 cents a pound and approximately two-thirds of her output in the United States at an average price of 5.14 cents a pound, both f.o.b., Cuban basis.

The reasonableness of sugar prices and the extent of their balance with production costs from 1948 through 1958 is shown by the fact that there was an increase in world sugar production approximately in line with the increase in world consumption. Since this period, production costs have increased due to a number of factors, the principal of which are higher wage rates and higher prices for materials and supplies. With this increase in production costs on the one hand and the drastic decline in world sugar prices on the other hand, current quotations are far below costs in most of the countries which sell part of their sugar in the world market.

A question which I think needs to be raised is whether or not, accepting this to be a fact, we wish to encourage and add our support to participation in the world market, in which sugar is being sold at less than production costs.

Consequently, if these countries are forced, by global quotas, to sell all of their sugar at such prices, their sugar industries will be bankrupt and their economies seriously imperiled.

When Castro came into power in 1959 people who formerly had charge of marketing Cuban sugar were replaced by members of the Castro group. The combination of lack of experience in marketing sugar and the pressure for cash in Cuba depressed the 1959 world price to 2.97 cents a pound. After the United States cut off the purchase of sugar from Cuba, that country turned to Communist countries for the sale of this product.

Cuban sugar currently is being sold, largely to Russia and Red China, at a price of 4 cents a pound, f.a.s. Cuban port of shipment. Although this in part is a barter price, it is the price of record of Communist purchase of Cuban sugar. In fact, it may be less than that. Part of this sugar has been used by the Communists to replace beet sugar Russia formerly obtained from Eastern European countries and part of the Cuban sugar has been reexported. The reexported Cuban sugar and the sale of displaced Eastern European beet sugar, whether by design or by pressure for markets, has reduced the world price to a recent low of 2.05 cents per pound.

It is a fact that Communist countries are now in control of world sugar markets and by shifting their marketing practices can run world sugar prices up or down at will. Latest International Sugar Council figures show that in 1960 Communist countries, including Cuba, produced 19.1 million tons of sugar. In the same year, these countries consumed 12.7 million tons leaving them a surplus of 6.4 million tons for sale on world markets.

Free world countries produced 38.9 million tons, but consumed 40.7 million tons, leaving a net deficit of 1.8 million tons. A surplus of 6.4 million tons in Communist hands, in contrast to a net free world deficit of 1.8 million tons, illustrates the extent to which the Communist bloc can dominate the world market.

The domestic industry believes U.S. sugar supplies from foreign sources would be seriously jeopardized by a global quota-premium capture program, and that the present system of country by country quotas with premium incentives is essential to provide adequate supplies.

This is the opinion of the domestic sugar industry of the United States. I see no reason to change their opinion or to question whether it is correct, since no one else has come forth who is more authoritative or is better qualified on the record to pass judgment on this question.

By changing to a global quota we would be subjecting the foreign portion of our sugar supply to the whims of the Communist bloc. We saw during the first 40 days of 1962 how Communist sugar market manipulation drove world sugar prices down 38 points and then by a change of tactics caused a 30-point rebound.

Under global quotas, the Communists could turn our sugar supplies on or off at will. By manipulating supplies, they could easily drive the world price above any reasonable U.S. price with the result that our consumers would either pay a great deal more for their sugar or be rationed in peacetime. Without quotas, our present foreign suppliers could not be expected to sell to us at a price lower than they could obtain on the world market.

If the Communists should adopt a policy of low world sugar prices, the foreign countries presently supplying sugar to the U.S. market would have to rely on prices which, as we have seen, are far below the cost of production. Sugar production in these free world countries would be certain to drop drastically and the United States would be left to depend directly on Communist supplies for much of her sugar. The Communists could then charge us any price they desired.

The only incentive which present foreign suppliers would have for the sale of sugar to the United States would be the need for dollar exchange. Even so, differentials between prices the Communists are quoted as paying Cuba for sugar and the current world sugar prices could

prove so tempting as to close out these sources of sugar to us except through Communist hands.

Country-by-country quotas, coupled with the reasonable and more stable U.S. price as an incentive, insulate U.S. foreign sugar supplies from the world market and hence from potential manipulation by the Communist bloc. The higher U.S. price provides the incentive for countries holding quotas to fill them. Furthermore, quotas permit them to plan production to meet our requirements. Even if they do not meet our requirements, if they have a will to do something about lifting the working conditions under quotas, if we give them a 4-year quota, they will be enabled to make some plans in that area also.

The adoption of the global quota-premium capture approach on the other hand, would be handling to the Russians a major instrument for political and economic warfare. The Russians have manipulated the tin market, the oil market, Southeast Asian textiles—or so we were told when a quota for textiles was recommended—and there is some evidence that there is Russian manipulation in the aluminum market, also. By changing to a global quota system at this time we will be giving the Communists an opportunity to interfere with our sugar supplies.

But at least we have time to keep the door halfway closed, to keep at least one hand and one eye on the door of this program, by having a halfway arrangement such as that which is incorporated in my amendment.

Even in the absence of Communist manipulation, the world market has in the past been more sensitive to international developments. For example, at the time of the Suez crisis in 1956–57 the high and low of the world market price ranged from 3.22 to 6.85 cents per pound, a spread of 3.63 cents—over 100 percent—while the U.S. market went from a low of 5.83 to a high of 6.60 cents, a spread of only 0.77 cents per pound—less than 14 percent. Without the influence of any particular international incident a fluctuation in the world price of 10 percent in 1 day is not uncommon whereas, the range of U.S. prices over an entire year has in recent years been well within 10 percent.

So this program has had a stabilizing effect upon the domestic market, and has had a good effect on the international market. Daily adjustments in the amount of premium captured would, I say, with all due respect to the ability of the present administrators, be an extremely difficult thing to do. As a matter of fact, the manner in which this global capture would take place still remains something of a mystery. I think we have merely approved of something which is simply terminology in this act—something called "global capture."

Mr. COOPER. Mr. President, will the Senator from Minnesota yield?

The PRESIDING OFFICER (Mr. CANNON in the chair). Does the Senator from Minnesota yield to the Senator from Kentucky?

Mr. McCARTHY. I yield.

Mr. COOPER. If there should be a recapture of funds by reason of a reduction in the premium program, what assurance would there be, under the bill, that these benefits could be used, let us say, for the Alliance for Progress in Latin-America?

Mr. McCARTHY. I know of nothing in the bill which would give the administration authority to use this money through the Alliance for Progress; but the administration could say, "Here is money we have captured"—it is really a kind of duty or payment for admitting their sugar to the United States, and so I assume it would be impounded, although at the present time any surplus arising from the Sugar Act goes into the general revenue——

Mr. COOPER. If it went into the general revenue, would it have to be appropriated by Congress, in order to be used for the Alliance for Progress?

Mr. McCARTHY. Yes; so far as I know, this would simply be revenue which would go under the general fund in the Treasury. I suppose it would be argued that since it came to us from Latin American countries from whom we bought sugar at depressed prices, we would have a kind of moral obligation to return it to them under some other program.

Mr. COOPER. I am sure the Senator from Minnesota will agree that the United States has based its policy for economic advancement and political advancement in Latin America on the Alliance for Progress. I understood the Senator to say, in connection with his amendment, that he felt that if the quotas were not specified, there would be such a deterioration of the sugar industry in some of these countries that, in fact, it would cancel or nullify part of the progress and advancement which we hope to have made under the Alliance for Progress.

Mr. McCARTHY. Yes.

Mr. COOPER. Let me ask this question: If the State Department is satisfied with what may be called the historic quota or allotment to X country in Latin America, why would the Senator argue that a policy of Congress of adding to it the additional quotas formerly specified in the Senator's amendment would lead to deterioration of the sugar industry in certain of the Latin American countries?

Mr. McCARTHY. Principally because the so-called historic quotas involve very limited amounts in some few countries; and I think the extension to approximately 8 or 10 more of a share of what was distributed when the Cuban quota was reassigned—which meant that many of them had quotas amounting to 4,000 or 5,000 tons, which was very little—would do little good. Yet in reallocating the Cuban sugar, those were increased. However, the proposition now is to take away all the allocation of Cuban sugar made to those countries under the allocations made last year. But I think the indications are that they have made improvements; and so far as some of the others are concerned, we have not really given them a chance.

Mr. COOPER. Certainly the intent is to bring about improvements in Latin America. Does the Senator say that if those countries were required to sell their sugar in the world market, that would lead to deterioration or collapse of the sugar industries in those countries and would make it more difficult for progress to be achieved there?

Mr. McCARTHY. That is the position of the sugar industry—that it would have an extremely harmful effect on the economy in all those countries.

Mr. COOPER. The Senator has said that he believes in the maintenance of the premium price program. Why does he think it necessary to maintain the premium paid to these countries?

Mr. McCARTHY. Because it is my opinion that the industry witnesses who testified said that present world sugar prices are below the cost of production—that is the first point; and they really raised the question of our obligation to pay those from whom we buy a fair price. I discussed this with the Senator from Illinois, who said we are giving them more than they deserve. But that is not necessarily true. It may be that we are paying more than we would have to pay them, at least temporarily, in the world market; but that is different from giving them more than they deserve. In my opinion, these prices are not unreasonable. Perhaps they should be cut back a little. If the administration had said, "Let us cut it back $25 a ton," we could reply, "Well, let us consider that and, in that connection, consider the testimony." But they did not say that. They said, "We will recapture it and put it into the Alliance for Progress, and then everybody will be happy."

Mr. COOPER. I must say that most of what I have learned about the bill, I have learned here tonight, from the speech of the Senator from Minnesota and from the speeches given by other Senators.

Let me ask whether the State Department representatives or those of other departments who testified before the committee discussed the question of whether the bill as reported by the committee would have adverse effects upon the economies of Latin American countries. On the one hand, our Government is saying that it is essential that we help them—and I see the senior Senator from Minnesota [Mr. HUMPHREY] standing here, and I know he is also greatly interested in the Alliance for Progress. So I wonder whether there was any discussion of that question.

On the one hand, our Government, particularly under the administration of President Kennedy, has been saying—and I agree—that we must do more to assist in the development of the friendly countries in Latin America. Was there discussion as to whether this bill would cancel any part of that program—which we claim is our broad program for political and economic freedom in Latin America? Would it have any effect at all upon it?

Mr. McCARTHY. Many of those who testified—of course most of them were American citizens who were spokesmen for these other countries—testified that

they thought it would have serious effects, and that in cases in which good progress was being made and good relationships were being established, this would have a harmful effect. Certainly that was the nature of their testimony.

None of them said that putting this sugar into the global area would improve conditions or help internal conditions in any Latin American country. In fact, there was much testimony to the contrary.

The administration's answer is to come back with the Alliance for Progress. That is all right, if it can be done. But in my opinion we have missed a great chance to reallocate Cuban sugar, on a tentative basis, to various countries in such a way as to be helpful to them, even though it be on a temporary basis, and even though we reserve the right to return it to Cuba.

So there is nothing permanent, in a fundamental sense, about what I am proposing.

It is a 4-year operation. I for one—and I think the same is true of everybody who asked for quotas—understood that anything we did would be no more permanent than the terms of the act; that we could back off and take care of the problems. This is as much as I seek to do.

Mr. HUMPHREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Does the Senator yield for that purpose?

Mr. McCARTHY. I yield.

Mr. KERR. Mr. President, a point of order. Has any business been transacted since the previous quorum call?

The PRESIDING OFFICER. Yes. The quorum call is in order, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McCARTHY. Mr. President, I ask unanimous consent that further proceedings under the rollcall be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McCARTHY. Mr. President, in earlier discussions with the majority leader, I indicated that I thought I would take about an hour on this measure, which is approximately the time I have taken, apart from responding to questions from other Members. I believe that Senators who are present have listened to the arguments which I have made; and that Senators who are not present will not be moved by anything I have said tonight. They may be moved at some later date.

Mr. President, I have made my case. I have little confidence in the degree of help it will be to our conferees in going to conference without our having taken the step which I have recommended somewhere along the way; but I see little point in pursuing this argument.

I understand that many Senators have committed themselves for the evening, and a rollcall might serve only to embarrass them. It might embarrass me, too.

So, thinking primarily of other Senators, after having made my case, I express the hope that Senators will consider my remarks and that the conferees will give some weight to the argument which has been made by the Senator from Kentucky, even if they give no weight to the argument which I have made.

Mr. President, I ask permission to withdraw my amendment at this time, and I yield the floor.

The PRESIDING OFFICER. Without objection, the amendment is withdrawn.

Mr. WILLIAMS of Delaware. Mr. President, I object.

The PRESIDING OFFICER. The amendment has been withdrawn.

Mr. HUMPHREY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The yeas and nays have not been ordered on the amendment. The Senator has a right to withdraw his amendment. The amendment has been withdrawn.

The bill is open to further amendment. If there be no amendment to be proposed, the question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill (H.R. 12154) was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. HUMPHREY. Mr. President, I am gravely concerned at the possible effect of congressional action on the economy, the alinement, and the general welfare of one of our stanchest friends in Latin America. I am speaking of the repercussions in the Dominican Republic should its present quota of sugar sales to the United States be reduced to the extent provided for in H.R. 12154. The House bill would cut the Dominican quota by 60 percent—that is, to some 350,000 tons a year. The cut proposed by the Senate bill is more drastic still.

Let me just say that this could be a disaster to the Dominican Republic. I have an article in the New York Times of June 25, written by Tad Szulc, which points out the grave implications of such an act for the political stability and basic democratic orientation of the Dominican Republic. Indeed, if the curtailed quota goes through, the direct or indirect result could be the resignation or overthrow of the present Government—the ruling Council of State which is struggling to overcome the legacy of the deposed Trujillo dictatorship. I wish to draw my colleagues' attention to the following passage from the New York Times' article:

> The passage by the House of Representatives of the new Sugar Act curtailing by 60 percent the Dominican share of the U.S. market has created the greatest crisis since democracy here began to take its first uncertain steps. Because the United States pays more for Latin American sugar than the price in the world market, the Dominican Republic depends desperately on sugar sales in the U.S. market to remain afloat economically and move ahead with urgent development programs.
>
> In the view of officials on both sides, the Alliance (for Progress) is dead in the Dominican Republic unless the sugar quota problem is remedied. Failure to do so could lead to potent anti-Americanism and inroads by Communist groups loudly advocating violent revolution.

Mr. President, the second article in my hand is from the Journal of Commerce, a responsible business and financial publication, bearing today's date, June 27. It points out more clearly than anything I have seen not only the Dominican Republic's dependence upon sugar, but also the mighty efforts which the new regime is making to put the Dominican economy on a sound basis. The democratic leaders of the island republic know that it is unhealthy to be so utterly dependent upon one basic commodity—sugar—and they are striving to diversify their economy, to attract foreign development capital, to redistribute rural income, to improve a deplorable housing situation, and to increase employment. But this whole program of development and progress will go for naught if income from the marketable surplus in sugar is suddenly and capriciously cut off. Economic diversification needs years to be accomplished. Democracy, however, must take root now—this year—or Mr. Khrushchev or Mr. Castro can put another Caribbean trophy in the showcase. For the immediate future, sugar is the key to progress in the Dominican Republic.

I point out that the Dominican Republic would have a supply of sugar exports remaining for sale on the world market, after deducting the U.S. quota as proposed by the House bill, of 600,000 short tons. This is exceeded only by the Republic of China on Taiwan, which by no means depends upon sugar for her economic viability. Under the proposed quotas, the Dominican quota is roughly the same as that of Peru, which is a major producer, to be sure, but which has at least four other major export commodities to fall back on. Sugar accounts for 60 percent of all wages and salaries paid out by the industrial sector of the Dominican economy.

Admittedly, Mr. President, the Dominican Republic is not a low-cost producer of sugar. There is no question that the Dominican sugar industry could be modernized and made more efficient. At the same time, there has been a dramatic rise in wages for workers in the sugar industry since the fall of Trujillo. Wages paid to unskilled canecutters, for instance, have nearly doubled. Trujillo could afford to keep these people in virtual peonage; the Dominican Council of State cannot. Yet the higher the cost of producing sugar, the more disastrous is a prospective shrinkage in the market. That, unfortunately, is the prospect held forth by the action asked of the Senate today.

The United Kingdom, which in the past has been a major purchaser of Dominican sugar, will in all likelihood buy none in 1962. Only Cuba, whose quota has been cut and redistributed among a congeries of sugar-producing countries, relies upon sales of sugar to the extent that the Dominican Republic does. Cuba's sugar will be bought—by the Soviet Union and the Communist bloc. It will be bought in order to save

the regime of Dr. Castro and his Marxist-Leninist cohorts. Is the United States prepared to sacrifice a struggling democratic regime in order to satisfy the demands of interest groups from every conceivable corner of the globe? I hope not.

I wish that Senators would read the materials which I now ask unanimous consent to place in the RECORD at this point. I wish they would study them carefully and decide in their hearts what is the right thing to do.

There being no objection, the articles and document were ordered to be printed in the RECORD, as follows:

[From the New York Times, June 26, 1962]

DOMINICANS FEAR CRISIS OVER SUGAR

(By Tad Szulc)

SANTO DOMINGO, DOMINICAN REPUBLIC, June 24.—United States and Latin American officers believe that the next 6 months in the Dominican Republic may decide the fate of President Kennedy's Alliance for Progress throughout Latin America.

This opinion is held by ranking members of the Republic's troubled provisional regime and by many others who are helping to build democratic stability here after three decades of dictatorship.

President Kennedy's program is undergoing a major test here. The Dominican Republic provides perhaps the most important opportunity for the United States to demonstrate the possibilities of progress under a democratic system.

It appeared to Dominicans last week that in handling the problem of Dominican sugar—this nation's lifeblood—the United States had lost such an opportunity. As a result, observers contend, the Dominican Republic may be pushed toward an economic and political crisis.

DOMINICAN QUOTA CUT

The passage by the House of Representatives of the new Sugar Act curtailing by 60 percent the Dominican share of the U.S. market has created the greatest crisis since democracy here began to take its first uncertain steps.

Because the United States pays more for Latin American sugar than the price in the world market, the Dominican Republic depends desperately on sugar sales in the U.S. market to remain afloat economically and move ahead with urgent development programs.

In the view of officials on both sides the Alliance is dead in the Dominican Republic unless the sugar quota problem is remedied. Failure to do so could lead to potent anti-Americanism and inroads by Communist groups loudly advocating violent revolution, officials assert.

Aside from the immediate sugar problem, the whole Alliance concept is on judgment here.

Dominican and United States officials here shudder when the slogan "The Showcase of Democracy" is applied to the Dominican Republic, because the officials believe it is a dangerous phrase that raises impossible expectations. However, the consensus is that the United States and democratically minded Dominicans must propel this nation of 3 million inhabitants in the right direction, for the Alliance to have a chance of success elsewhere in Latin America.

Briefly, the problem in the Dominican Republic seems to be that 1 year after the assassination of Rafael Leonidas Trujillo Molina, the Dominican dictator, and 6 months after the installation of the seven-man Council of State to run the country, progress toward the strengthening of political democracy and toward meaningful economic and social reform is despairingly slow.

Despite early assurances from Washington that the United States would provide the necessary fuel for this democratic revolution, bureaucratic and political caution has made the Alliance for Progress operations here bog down in a maze of studies. This inertia is complicated by the fact that Trujillo left behind a society totally unprepared to run itself.

As one worried official remarked this week, "We may end up with beautifully studied projects but with no country left in which to implement them."

The urgent problems facing the Dominican Republic are the need to diversify agriculture and distribute rural income, a great housing shortage and high unemployment that is a breeding ground for revolutionary groups.

Dominican officials understand that it is unrealistic to expect immediate material results in the time since January, when $25 million in loans was approved by the Alliance. However, a much more serious problem appears to be that the Alliance has virtually no psychological and political impact, which are crucial in the Dominican Republic.

While the regime has already approved land reform legislation, which was made easier by the fact that the Government owned vast tracts of confiscated Trujillo property, and passed a new tax law, it has not been possible to overcome a feeling of poltical vacuum.

This vacuum is beginning to be filled by Communists and extreme leftist forces. These forces are campaigning with the oversimplified but potentially effective slogan that "nothing has changed" since Trujillo's death.

The 14th of June movement—regarded as the public instrument of Communist activity—is openly clamoring for a Cuban-type revolution. Recently, its leader, Manuel Tavares Justo, announced that his followers would soon take to the hills to start guerrilla warfare.

This threat is not taken lightly. U.S. advisers are training Dominican forces in antiguerrilla and antiriot techniques.

Informed opinion here is that communism and its related movements are not an immediate menace, but that they could easily become one if the democratic forces continue to fail to fill the political vacuum.

The Government here believes that if the House sugar bill becomes a law, the Communists will be able to proclaim that the United States is not a friend of the Dominican Republic.

[From the Journal of Commerce, June 27, 1962]

DOMINICANS SEEK FOREIGN FUNDS

(By Al Wyss)

Pressure by the Dominican Republic on Congress and the administration to increase substantially the Dominican sugar quota under the new Sugar Act underscores the strenuous efforts being made by that country's new democratic regime to establish a sound and growing economy.

Aside from its efforts to assure an ample market for its sugar in the premium-price U.S. market, the Council of State—the transitional regime of the Republic—is taking constructive steps to boost trade, diversify its economy and create a climate of confidence to attract foreign capital.

RESULTS NOTABLE

Its efforts in the relatively short time it has been in existence already have achieved notable results. Reports on the Dominican Republic are fairly optimistic, especially regarding its potential growth and investment climate, and it appears to be one of the Latin American countries worth watching closely, according to a spokesman of the Chase Manhattan Bank, which recently opened a branch in Santo Domingo.

The First National City Bank, which also opened a Dominican Republic branch early in June, stated in a recent report that this country appears to be on the road to more rapid economic development, with the flight of capital reported to be subsiding and bank deposits rising sharply.

Not only has legislation been passed to encourage investment by foreign private capital but a number of other laws have been passed which are definitely in the spirit of the Alliance for Progress program. Over a period of time this is expected to result in improved living standards and a more equitable distribution of income and wealth.

TRADE OUTLOOK FAVORABLE

Prospects for increased trade also are favorable. The country has a number of agricultural products which it exports in substantial volume. And a program of diversification in agriculture and industry is planned.

But the U.S. sugar quota is vital to the Dominican Republic and what happens here could make or break the country's economy. Sugarcane, grown in the lowland areas, has dominated the country's economy since colonial times, as recently pointed out in a report by the First National City Bank.

Moreover, output of sugar has practically doubled since 1950 when steps were taken to modernize the industry.

SUGAR OUTPUT HIGH

Output of sugar now is substantial, exceeded in Latin America only by Cuba and Brazil, but the cost of production is high—in fact far above world market levels. Consequently, this country needs to sell a big part of its crop in the U.S. premium market to survive. Without such an outlet, the country's sugar industry probably would flounder, resulting in economic chaos.

The seriousness of the situation is indicated by the fact that a 15-man Dominican delegation, headed by two cabinet ministers, arrived in Washington last week to plead their country's sugar case before Congress and administration officials.

In addition, the Council dispatched a formal note to the United States warning that the Dominican Republic's participation in the Alliance for Progress probably would be jeopardized if the country could not obtain a high sugar quota.

The Sugar Act, as approved by the House, would grant the Dominician Republic, a total allocation of 350,000 tons a year, a 60-percent reduction from the quantity of Dominican sugar sold to the United States in the first half of the year.

Efforts by the new regime to bring stability to the country and foster more rapid economic growth through diversification and stepped-up capital investment are making progress.

The ouster of the Trujillos was quickly followed by the institution of a program aimed at basic economic and social reforms. Consequently, while the new regime is facing some difficult problems, it also has a number of plus factors on its ledger.

One critical problem is that of providing more jobs and boosting living standards for a rapidly growing population. An accelerated pace of economic growth for this reason is urgent.

ESCAPE INFLATION

The country, however, has escaped the toll of chronic inflation now plaguing other Latin American countries, the First National City Bank points out. And its natural resources, though largely agricultural, are capable of considerable diversification. About one-half of the country is suitable for farm use and only about one-fifth of this is being cultivated.

Prospects for increased trade by the United States and other countries with the Dominican Republic also are good, due to the fact that under the new government's program to attract foreign capital and diversify its economy a steady rise in capital goods imports can be expected.

The country has in previous years enjoyed a favorable balance of trade and, in fact, ever since 1950 has had a trade surplus. This enabled it until about 1959, at least, to maintain a strong international payments position. But this year, as noted, imports should begin a strong upward trend.

The effect these shifts will have on the Dominican's trade balance is problematical. The country still is maintaining a substantial volume of exports in relation to imports, according to preliminary statistics.

Latest U.S. Department of Commerce statistics show that Dominican exports to the United States totaled $37.3 million in the first quarter and imports from the United States in this period totaled $12.1 million.

EXPORTS RUN HIGH

In 1961, exports from the Dominican Republic totaled $144 million, compared to $69.5 million worth of imports, and in 1960 exports came to a record of $180 million, compared to $87 million in imports from the United States. Imports were down very sharply in these years due to the unsettled condition of the country.

But the future nature of Dominican trade is expected to change. While it is expected that the volume of exports may be maintained, and even increased, imports, especially from the United States, should rise as the country's program of development gathers momentum.

This is expected to eventually result in a trade deficit but exactly when this will occur is difficult to say. It could be sometime this year or, perhaps, next, according to trade spokesmen.

The warning that a cut in the sugar quota might make it necessary for this country to reconsider its participation in the Alliance for Progress is of considerable importance in view of the fact that this country could play a role of considerable importance in this program.

The prospects for a period of economic growth and stability in the Dominican Republic consequently appear highly favorable provided that the United States will continue to help bolster the country's economy by recognition of sugar's basic role in the Dominican economy.

CONSIDERATIONS PERTINENT TO DETERMINATION OF SUGAR QUOTA FOR THE DOMINICAN REPUBLIC

I. POLITICAL HISTORY

1. Trujillo's rule terminated on May 30, 1961, after more than 32 years of dictatorship.

2. Following a brief rule under Balaguer, the Trujillo-Inherited President, a U.S. supported seven-man Council of State, representing a middle-of-the-road program, came into power; its members were anti-Trujillo, are pro-United States. It is subject to strong attack from small, but well organized, Communist-Castro organizations, ready to take over if the democratic efforts of the present government falter.

3. Special election of delegates to draft a new Constitution is to be held in August, followed by free democratic elections, the first in over 32 years, in December, 1962.

4. In the January–February 1962 meeting of OAS, the Dominican Republic actively supported the United States in ousting Cuba, with a speech by the Foreign Minister of the Dominican Republic comparing the Castro regime to the former Trujillo regime having strong impact on the other delegates.

II. DEVELOPMENTS UNDER THE NEW GOVERNMENT

1. The United States supported Dominican Government is actively carrying out the self-help principles of Alliance for Progress program.

2. Tax laws have been revised, so that, for example, all sugar companies (not just the American company) are taxed; an agricultural reform law enacted to distribute 700,000 acres of former Trujillo property; home mortgage market established to support lower cost housing; steps undertaken to provide for development of small business and private American investment; reforms to establish strong independent labor movement being studied.

III. ECONOMIC FACTS

1. Sugar is the source of energy of Dominican econony, accounting for 60 percent of all wages and salaries paid out by the industrial sector.

2. In the first half of 1962, the Dominicans shipped to the United States 490,000 tons of sugar (an annual rate of 980,000 tons). The House bill would give it only 200,000 tons for an entire year, plus a temporary 1-year 150,000-ton allocation of the Cuban quota.

3. The Dominican Government raised wages in the sugar industry substantially—a step taken to meet U.S. Alliance for Progress objectives. These wage increases were based on the expectation of a substantial U.S.-sugar quota required to maintain such wage increases. (This expectation was supported by strong pledges and promises for rehabilitation by the U.S. Government.) At an annual quota of 200,000 plus 150,000 allocation of the Cuban quota, these increases cannot be maintained. The fact is that these wage increases raised the cost of production above the world market price. A lowering of wages now will seriously jeopardize Dominican Government and may result in the outbreak of serious disorders, violence, and chaos with unpredictable consequences.

4. Dominican Republic for the 3 years, 1959–61, was second only to the Republic of the Philippines and Cuba as a sugar exporter.

5. Unlike the larger countries, such as Brazil, Mexico, and Peru, the Dominican Republic can only consume a small amount of its production locally.

6. Unlike some sugar suppliers (British West Indies, Fiji, Mauritius, British Honduras, South Africa, Australia), Dominican Republic does not have available to it a preferential market ready to take sugar in excess of that sold to the United States.

7. Previously, the Dominican Republic sold the major part of its sugar in the world market. This market has been almost completely closed due to price cutting and barter transactions being undertaken by the Soviet bloc with Cuban sugar. Thus, for the first time in many years the Dominican Republic has been cut off from its principal market, the United Kingdom, and no sales of sugar are being made to that market.

8. On the basis of the quotas in the House bill, the House Committee on Agriculture figures on past years' exports reveal Dominican Republic will have over 600,000 tons of sugar seeking a market, compared to minus tons—Philippines, less than 250,000 tons—Peru, less than 100,000 tons—Mexico, and less than 475,000 tons—Brazil. Unlike any of these countries, the Dominican Republic is almost entirely dependent on sugar for the well-being of its economy.

IV. THE DOMINICAN REPUBLIC AS A SUGAR SUPPLIER TO THE UNITED STATES

1. Dominican Republic has always been a reliable source of sugar to the United States, delivery taking only 3 days, port to port.

2. During periods of emergency, as World War II, the Dominican Republic under agreement with the United States provided its sugar to the British at special prices, foregoing the excessive prices they could have obtained in the world market.

V. TRADE WITH UNITED STATES

1. Dominican Republic has always traditionally concentrated its trade with the United States. From 1955 to 1960, an average of 60 percent of its total imports came from the United States, despite the fact that its earnings then came primarily from sugar sales to United Kingdom.

2. While Dominican imports in the United States cannot in absolute terms match the quantity imported by much larger countries (Australia, Brazil, Peru, Philippines), the percentage of its total imports bought in the United States is significantly greater and its trade with the United States is currently increasing.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PASTORE (when his name was called). After having voted in the negative, on this vote I have a pair with the Senator from Hawaii [Mr. LONG]. If he were present, he would vote "yea"; if I were at liberty to vote, I would vote "nay." I therefore withhold my vote.

The rollcall was concluded.

Mr. HUMPHREY. I announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from North Dakota [Mr. BURDICK], the Senator from Mississippi [Mr. EASTLAND], the Senator from Alaska [Mr. GRUENING], the Senator from Michigan [Mr. HART], the Senator from Alabama [Mr. HILL], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Washington [Mr. MAGNUSON], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Michigan [Mr. MCNAMARA], the Senator from Oregon [Mrs. NEUBERGER], the Senator from Georgia [Mr. RUSSELL] and the Senator from Hawaii [Mr. LONG] are absent.

I further announce that the Senator from New Mexico [Mr. CHAVEZ] is necessarily absent.

I further announce that, if present and voting, the Senator from New Mexico [Mr. ANDERSON], the Senator from North Dakota [Mr. BURDICK], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Mississippi [Mr. EASTLAND], the Senator from Alaska [Mr. GRUENING], the Senator from Michigan [Mr. HART], the Senator from Alabama [Mr. HILL], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Washington [Mr. MAGNUSON], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Michigan [Mr. MCNAMARA], the Senator from Oregon [Mrs. NEUBERGER] and the Senator from Georgia [Mr. RUSSELL] would each vote "yea."

Mr. DIRKSEN. I announce that the Senator from Maryland [Mr. BUTLER], the Senator from Iowa [Mr. HICKENLOOPER], and the Senator from California [Mr. KUCHEL] are necessarily absent.

The Senator from Connecticut [Mr. BUSH], the Senator from Kansas [Mr. PEARSON], and the Senator from Wis-

consin [Mr. WILEY] are detained on official business.

If present and voting, the Senator from Connecticut [Mr. BUSH], the Senator from Maryland [Mr. BUTLER], the Senator from California [Mr. KUCHEL], the Senator from Kansas [Mr. PEARSON], and the Senator from Wisconsin [Mr. WILEY] would each vote "yea."

The result was announced—yeas 76, nays 2, as follows:

[No. 101 Leg.]

YEAS—76

Aiken	Fong	Mundt
Allott	Goldwater	Murphy
Bartlett	Hartke	Muskie
Beall	Hayden	Pell
Bennett	Hickey	Prouty
Bible	Holland	Proxmire
Boggs	Hruska	Randolph
Byrd, Va.	Humphrey	Robertson
Byrd, W. Va.	Jackson	Saltonstall
Cannon	Javits	Scott
Capehart	Johnston	Smathers
Carlson	Jordan	Smith, Mass.
Carroll	Keating	Smith, Maine
Case	Kerr	Sparkman
Church	Lausche	Stennis
Clark	Long, Mo.	Symington
Cooper	Long, La.	Talmadge
Cotton	Mansfield	Thurmond
Curtis	McCarthy	Tower
Dirksen	McGee	Williams, N.J.
Dodd	Metcalf	Williams, Del.
Douglas	Miller	Yarborough
Dworshak	Monroney	Young, N. Dak.
Ellender	Morse	Young, Ohio
Engle	Morton	
Ervin	Moss	

NAYS—2

Fulbright	Gore

NOT VOTING—21

Anderson	Hart	McClellan
Burdick	Hickenlooper	McNamara
Bush	Hill	Neuberger
Butler	Kefauver	Pastore
Chavez	Kuchel	Pearson
Eastland	Long, Hawaii	Russell
Gruening	Magnuson	Wiley

So the bill (H.R. 12154) was passed.

Mr. KERR. Mr. President I move that the Senate reconsider the vote by which the bill was passed.

Mr. HUMPHREY. I move to lay that motion on the table.

The motion to table was agreed to.

Mr. KERR. Mr. President, if the hour were not so late I would remark on the fact that the Senate has maintained one of its traditions which it has been in process of being established with respect to action on the sugar bill late in the evening. Since the time is so late, I will refrain from referring to the fact that it is so late in the evening.

This is a most important bill, dealing with a very important phase of our economy. I therefore ask that the Senate insist upon its amendment, and ask for a conference thereon with the House of Representatives, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. BYRD of Virginia, Mr. KERR, Mr. LONG of Louisiana, Mr. SMATHERS, Mr. WILLIAMS of Delaware, Mr. CARLSON, and Mr. BENNETT conferees on the part of the Senate.

Mr. MANSFIELD. Mr. President, I wish to commend the distinguished senior Senator from Oklahoma [Mr. KERR] for the consistent skill and generalship which he has displayed this week in handling bills reported by the Committee on Finance.

I also desire to thank the distinguished Senator from Virginia [Mr. BYRD], the chairman of the committee, and the other members of the committee who have been handling most expeditiously all the measures which are confronted by time limitations.

I also express appreciation to the distinguished junior Senator from Minnesota [Mr. MCCARTHY] for placing a portion of his remarks in the RECORD tonight, thereby allowing the Senate to vote on the sugar bill at an earlier time.

The Senate has done a good day's work in passing a bill which is pretty much in accordance with the desires of the administration. I hope that in the conference with the House, the Senate conferees will stand firm and return to us with a good bill, a bill which all of us can back in good spirits.

ORDER FOR ADJOURNMENT UNTIL TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate adjourns tonight it adjourn to meet at 12 o'clock noon tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of H.R. 11990, the debt limit bill.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 11990), to provide for a temporary increase in the public debt limit as set forth in section 21 of the Second Liberty Loan Act.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. MILLER. Mr. President, I send an amendment to the desk and ask that it be read, and I ask that the amendment be printed and lie on the table.

The PRESIDING OFFICER. Without objection the amendment will be printed and lie on the table. Without objection, the clerk will read the amendment.

The LEGISLATIVE CLERK. It is proposed to strike the period at the end thereof and insert in lieu thereof the following:

; *Provided*, That in no event shall the public debt limit exceed $300,000,000,000 if any appropriated funds for the fiscal year ending June 30, 1963, in excess of those appropriated for the previous fiscal year other than those for the Department of Defense, are spent.

ACCESS ROADS ALONG THE MINAM RIVER IN OREGON

Mr. MORSE. Mr. President, in a recent issue of the Oregonian there appeared an editorial entitled "Minam for All Time." The editorial deals with a highly controversial problem in eastern Oregon, one in which Justice William Douglas of the U.S. Supreme Court has take a very active part over the years. It concerns the issue of whether there should be built, close to the wilderness area along the Minam River, a road that will do irreparable damage to the wilderness features of the area.

The Oregonian editorial, in my judgment, is one of the most effective analyses of this problem that I have had the privilege of reading thus far.

I ask unanimous consent that it may be printed in the RECORD. I wish the RECORD to show that on the basis of such evidence as I have received to date I associate myself with the observations made by the editorial.

I believe it would be a great mistake, in view of the low-quality timber that is involved, certainly, to invade this wilderness area with a road at this time, particularly when there are many national forests at lower levels, and accessible, in which the Forest Service has not yet reached the allowable cut of timber more valuable to the taxpayers of the country, as far as returns to the Treasury are concerned, and also more valuable to the Government of the United States.

I wish also to say that I believe the preponderance of evidence supports the position taken by Justice Douglas of the Supreme Court. In fact, he is to be commended for the crusading spirit with which he has battled in this great issue in Oregon, which has come to be called "Protect the Minam."

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From the Portland Oregonian, May 28, 1962]

MINAM FOR ALL TIME

We believe it would be in the long-range public interest for the U.S. Forest Service to abandon its plan to build 32 miles of access roads along the Minam River to open 80,000 acres of that section of the Wallowa-Whitman National Forest to commercial logging.

Despite the support of sawmill and logging interests for this plan, there is strong opposition to it among residents of the eastern Oregon areas which might benefit from more saw logs. These residents, and many from other areas who have visited the remote and wild Minam Valley to fish for native rainbow and to hunt elk and deer, or just to enjoy scenery and solitude, contended in a Forest Service hearing in La Grande last year that its primitive values far outweigh the benefits of the timber sought.

The clear waters of the Minam, flowing out of the Wallowas, and the timbered canyons are not susceptible, as is the Forest Service's Waldo Lake project for "multiple use," to reasonable development as a mass recreation area. The native fish would have to be replaced, within a season or two, with hatchery fish. The elk herds of the Minam slopes and canyons could not stand the pressure of motor access. There is a real danger of erosion and destruction. And despite the Forest Service's talk of opening the area for recreation, the real goal is 450 million board feet of Ponderosa and lodgepole pine and Douglas-fir. This is not a significant amount of timber in the blueprint of national forest management.

Those who have organized to "Save the Minam" want to add these 80,000 acres of the Minam watershed within the forest boundary to the 55,000 acres of Minam watershed within the great Eagle Cap wilder-

June 28, 1962

14. SUGAR. Sen. Carroll commended the sugar program and paid tribute to former Sen. Costigan for his efforts in the enactment of the original sugar legislation. pp. 11298-9

15. MEAT INSPECTION. Both Houses received from this Department proposed legislation to extend the provisions of the Meat Inspection Act to certain classes of establishments not now subject to the Act; to H. and S. Agriculture Committees. pp. 11291, 11288

16. INSPECTION; RESEARCH. The Foreign Relations Committee reported with amendment H. R. 8982, to authorize construction of a bridge across the Rio Grande at or near Heath Crossing, Tex. (S. Rept. 1668), and with amendments H. R. 9883, to authorize construction of a toll bridge across the Rio Grande near Los Indios, Tex. (S. Rept. 1669). p. 11291

17. LAND-GRANT COLLEGES. Sens. Long (Hawaii), Carlson, and Miller commended the work of the land-grant colleges on their 100th anniversary. pp. 11299, 11322-3, 11359

18. CONSUMER PRICE INDEX. Sen. Humphrey inserted an article on the consumer price index, "Price Index Steady After 3-Month Rise." pp. 11300-01

19. EXPORT CONTROL. Both Houses received the conference report on S. 3161, to provide for continuation of authority for regulation of exports (H. Rept. 1949) (pp. 11238-9, 11288, 11347). By a vote of 44 to 33, agreed to a motion by Sen. Keating to recommit the bill to the conference committee for further consideration, pp. 11347-53).

20. FISCAL CONDITIONS. Sen. Byrd, Va., inserted his statement on the financial condition of the Federal Government. pp. 11334-7

21. LEGISLATIVE PROGRAM. Sen. Humphrey announced that S. 2560, to amend the Interstate Commerce Act, as amended, so as to strengthen and improve the national transportation system, will be considered on Fri., and that there would be a session on Sat. to consider the sugar bill if the conference committee completes its work on the bill. p. 11353

HOUSE

22. FOREIGN TRADE. By a vote of 299 to 125, passed as reported H. R. 11970, the proposed Trade Expansion Act of 1962 (pp. 11141-238, 11245-50, 11253-72, 11282, 11283-4). Earlier, by a vote of 171 to 253, rejected a motion by Rep. Mason to recommit the bill (11237-8). See Digest 101 for a summary of the provisions of this bill.

23. SUGAR. Conferees were appointed on H. R. 12154, to amend and extend the provisions of the Sugar Act of 1948, as amended. pp. 11238, 11278

24. TOBACCO. The Agriculture Committee reported with amendment S. J. Res. 201, to extend the time by which a lease transferring a tobacco acreage allotment may be filed (H. Rept. 1952). p. 11288

25. FARM LABOR. The Education and Labor Committee voted to report (but did not actually report) S. 1124, to provide financial assistance to the States to improve educational opportunities for migrant agricultural employees and their children, and S. 1132, with amendment, to provide for the establishment of a National Advisory Council on Migratory Labor. p. D534

26. PERSONNEL. Rep. Beckworth inserted several letters pertaining to the use of assembled and unassembled examinations and boards of U. S. Civil Service Examiners by the agencies. pp. 11273-7

27. EDUCATION. The Education and Labor Committee voted to report (but did not actually report) H. R. 12070, to provide assistance in the field of special education to institutions of higher learning, and to the States. p. D534

Rep. Wilson, Calif., commended the centennial of the land-grant colleges and said, "I am confident our land-grant institutions will continue to be a credit to our country." p. 11278

Rep. McDowell discussed the centennial of the Morrill Land-Grant College Act and said, "more than any other single measure, this act has shaped significantly the educational and, perhaps, the economic development of our Nation." pp. 11284-6

28. SURPLUS PROPERTY. The Government Operations Committee issued a report on evaluation of the donable surplus property program (H. Rept. 1943). p. 11288

29. FOREIGN AFFAIRS. The Foreign Affairs Committee issued a report of the Special Study Mission to the Far East, South Asia, and the Middle East (H. Rept. 1946). p. 11288

30. APPROPRIATIONS. Received from the President an amendment to the budget for fiscal 1963 involving an increase of $382,000 for the civil functions of the Department of the Army (H. Doc. 463). p. 11288

31. ROADS. The Public Works Committee reported with amendments H. R. 12135, the proposed Federal-Aid Highway Act of 1962 (H. Rept. 1948). p. 11288

32. SOIL BANK. The Agriculture Committee reported without amendment S. 3062, to amend the Soil Bank Act to make permanent the existing provision of law authorizing the Secretary of Agriculture to permit the harvesting of hay on conservation reserve acreage in certain disaster areas (H. Rept. 1961). p. 11288

33. SAFETY. The Education and Labor Committee voted to report (but did not actually report) H. R. 12306, the proposed Occupational Safety Act of 1962. p. D534

34. LEGISLATIVE PROGRAM. ~~Rep. Albert announced that the conference report on S. 3161, to extend the Export Control Act, will be considered on Fri.~~, and the conference report on H. R. 12154, to extend the Sugar Act, will be considered on Sat. if reported by the conference committee. p. 11244

ITEMS IN APPENDIX

35. TOBACCO. Extension of remarks of Rep. Evins inserting an article, "Cigarette Taxes: Enough Money to Pay for U. S. Space Program," and stating that tobacco is now one of the principal sources of public revenue for all levels of government. p. A4924

36. PEACE CORPS. Extension of remarks of Rep. Flood inserting an article, "Peace Corps Thrives In First Year Abroad--Nations Ask More As 1,000th Recruit Heads Overseas." pp. A4925-7

Extension of remarks of Sen. Kerr inserting an address by Director Shriver on the operations and programs of the Peace Corps. pp. A4933-5

37. WATER RESOURCES. Extension of remarks of Rep. Weaver inserting the report of the projects committee to the 49th convention of the National Rivers and Harbors Congress. pp. A4927-9

ples on which we have built our greatness.

The CHAIRMAN. All time has expired. Under the rule, the bill is considered as having been read for amendment. No amendments are in order to the bill except amendments offered by direction of the Committee on Ways and Means.

The Clerk will now report the first committee amendment as printed in the reported bill.

The Clerk read as follows:

Page 9, line 16, strike out "State" and insert: "State,".

The CHAIRMAN. Without objection, the committee amendment is agreed to.

There was no objection.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 45, line 8, strike out "(13)" and insert: "(3)".

The CHAIRMAN. Without objection, the committee amendment is agreed to.

There was no objection.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 67, line 25, strike out "Senate)" and insert: "Senate),".

The CHAIRMAN. Without objection, the committee amendment is agreed to.

There was no objection.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 68, lines 1 and 2, strike out "a two-thirds vote" and insert: "the affirmative vote of a majority of the authorized membership".

The CHAIRMAN. Without objection, the committee amendment is agreed to.

There was no objection.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 72, strike out line 14 and all that follows through line 8 on page 77.

The CHAIRMAN. Without objection, the committee amendment is agreed to.

There was no objection.

The CHAIRMAN. Are there further committee amendments?

Mr. MILLS. There are no further committee amendments, Mr. Chairman.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. BOLLING, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, pursuant to House Resolution 712, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. MASON. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. MASON. I think everyone understands that he is, Mr. Speaker.

The SPEAKER. What the gentleman says may be correct, but the gentleman understands that he must qualify to offer the motion.

Mr. MASON. I understand that, Mr. Speaker.

The SPEAKER. The gentleman qualifies.

The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. MASON moves to recommit the bill (H.R. 11970) to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendment:

Strike out all after the enacting clause and insert: "That the period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended (19 U.S.C., sec. 1351), is hereby extended from the close of June 30, 1962, until the close of June 30, 1963."

Mr. MILLS. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. MASON. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 171, nays 253, not voting 13, as follows:

[Roll No. 134]

YEAS—171

Abbitt	Church	Harvey, Ind.
Abernethy	Clancy	Harvey, Mich.
Adair	Collier	Hays
Alexander	Colmer	Hiestand
Alger	Conte	Hoeven
Andersen, Minn.	Cramer	Hoffman, Ill.
Anderson, Ill.	Cunningham	Ichord, Mo.
Andrews	Curtin	Jarman
Arends	Dague	Jensen
Ashbrook	Davis, James C.	Johansen
Auchincloss	Derounian	Jonas
Avery	Derwinski	Kearns
Ayres	Devine	Kilburn
Baring	Dole	King, N.Y.
Battin	Dominick	Kitchin
Becker	Dowdy	Knox
Beckworth	Durno	Kyl
Beermann	Ellsworth	Laird
Belcher	Fenton	Langen
Bennett, Mich.	Findley	Latta
Berry	Fisher	Lennon
Betts	Fogarty	Lipscomb
Bolton	Ford	McCulloch
Bow	Garland	McDonough
Boykin	Gary	McIntire
Bray	Gavin	McMillan
Bromwell	Glenn	MacGregor
Brown	Gonzalez	Martin, Mass.
Broyhill	Goodell	Martin, Nebr.
Bruce	Goodling	Mason
Burleson	Gross	May
Byrnes, Wis.	Gubser	Meader
Casey	Haley	Miller, N.Y.
Cederberg	Hall	Milliken
Chamberlain	Halleck	Minshall
Chenoweth	Harrison, Wyo.	Monagan
Chiperfield	Harsha	Moore
Moorehead, Ohio	Roudebush	Taber
Mosher	Rousselot	Taylor
Nelsen	Rutherford	Teague, Calif.
Nygaard	St. George	Teague, Tex.
O'Konski	Saylor	Thomson, Wis.
Ostertag	Schadeberg	Tuck
Passman	Schenck	Utt
Pelly	Scherer	Van Pelt
Pillion	Schneebeli	Van Zandt
Pirnie	Schweiker	Waggonner
Poff	Seely-Brown	Westland
Purcell	Shipley	Whalley
Ray	Short	Wharton
Reifel	Shriver	Whitener
Rhodes, Ariz.	Sikes	Whitten
Riehlman	Siler	Williams
Riley	Smith, Calif.	Wilson, Calif.
Rivers, S.C.	Smith, Va.	Wilson, Ind.
Roberts, Tex.	Staggers	Winstead
Rogers, Tex.	Steed	Younger

NAYS—253

Addabbo	Green, Oreg.	Norrell
Addonizio	Green, Pa.	O'Brien, Ill.
Albert	Griffin	O'Brien, N.Y.
Anfuso	Griffiths	O'Hara, Ill.
Ashley	Hagan, Ga.	O'Hara, Mich.
Ashmore	Hagen, Calif.	Olsen
Aspinall	Halpern	O'Neill
Bailey	Hansen	Osmers
Baker	Harding	Patman
Baldwin	Hardy	Perkins
Barrett	Harris	Peterson
Barry	Harrison, Va.	Pfost
Bass, N.H.	Healey	Philbin
Bass, Tenn.	Hébert	Pike
Bates	Hechler	Pilcher
Bell	Hemphill	Poage
Bennett, Fla.	Henderson	Powell
Blatnik	Herlong	Price
Boggs	Holifield	Pucinski
Boland	Holland	Quie
Bolling	Hosmer	Rains
Bonner	Huddleston	Randall
Brademas	Hull	Reece
Breeding	Inouye	Reuss
Brewster	Jennings	Rhodes, Pa.
Brooks, Tex.	Joelson	Rivers, Alaska
Broomfield	Johnson, Calif.	Roberts, Ala.
Buckley	Johnson, Md.	Robison
Burke, Ky.	Johnson, Wis.	Rodino
Burke, Mass.	Jones Ala.	Rogers, Colo.
Byrne, Pa.	Jones, Mo.	Rogers, Fla.
Cahill	Judd	Rooney
Cannon	Karsten	Roosevelt
Carey	Karth	Rosenthal
Celler	Kastenmeier	Rostenkowski
Chelf	Kee	Roush
Clark	Keith	Ryan, Mich.
Coad	Kelly	Ryan, N.Y.
Cohelan	Keogh	St. Germain
Cook	Kilgore	Santangelo
Cooley	King, Calif.	Schwengel
Corbett	King, Utah	Scott
Corman	Kirwan	Scranton
Curtis, Mo.	Kluczynski	Selden
Daddario	Kornegay	Shelley
Daniels	Kowalski	Sheppard
Davis, John W.	Kunkel	Sibal
Dawson	Landrum	Sisk
Delaney	Lane	Slack
Dent	Lankford	Smith, Iowa
Denton	Lesinski	Smith, Miss.
Diggs	Libonati	Spence
Dingell	Lindsay	Springer
Donohue	Loser	Stafford
Dooley	McDowell	Stephens
Dorn	McFall	Stratton
Downing	Macdonald	Stubblefield
Doyle	Mack	Sullivan
Dulski	Madden	Thomas
Dwyer	Magnuson	Thompson, N.J.
Edmondson	Mahon	Thompson, Tex.
Elliott	Mailliard	Thornberry
Everett	Marshall	Toll
Evins	Mathias	Tollefson
Fallon	Matthews	Trimble
Farbstein	Merrow	Tupper
Fascell	Michel	Udall, Morris K.
Feighan	Miller, Clem	Ullman
Finnegan	Mills	Vanik
Fino	Moeller	Vinson
Flynt	Montoya	Wallhauser
Forrester	Moorhead, Pa.	Walter
Fountain	Morgan	Watts
Frazier	Morris	Weaver
Frelinghuysen	Morrison	Weis
Friedel	Morse	Wickersham
Fulton	Moss	Widnall
Gallagher	Moulder	Willis
Garmatz	Multer	Wright
Gathings	Murphy	Yates
Giaimo	Murray	Young
Gilbert	Natcher	Zablocki
Granahan	Nedzi	Zelenko
Grant	Nix	
Gray	Norbald	

NOT VOTING—13

Alford	Hoffman, Mich.	Miller,
Blitch	Horan	George P.
Curtis, Mass.	McSween	Saund
Davis, Tenn.	McVey	Thompson, La.
Flood		

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Alford for, with Mr. George P. Miller against.

Mr. McVey for, with Mr. Curtis of Massachusetts against.

Until further notice:

Mr. McSween with Mr. Horan.

Mr. Flood with Mr. Hoffman of Michigan.

Mrs. KEE and Mr. SLACK changed their vote from "yea" to "nay."

Mr. SHIPLEY and Mr. RHODES of Arizona changed their vote from "nay" to "yea."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. MILLS. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 299, nays 125, not voting 13, as follows:

[Roll No. 135]

YEAS—299

Abbitt	Davis,	Harding
Abernethy	James C.	Hardy
Addabbo	Davis, John W.	Harris
Addonizio	Dawson	Harrison, Va.
Albert	Delaney	Harvey, Mich.
Anfuso	Denton	Healey
Arends	Derounian	Hébert
Ashley	Derwinski	Hechler
Ashmore	Diggs	Hemphill
Aspinall	Dingell	Henderson
Auchincloss	Dole	Herlong
Avery	Donohue	Holifield
Bailey	Dooley	Holland
Baker	Dorn	Hosmer
Baldwin	Downing	Huddleston
Barrett	Doyle	Hull
Barry	Dulski	Inouye
Bass, N.H.	Dwyer	Jennings
Bass, Tenn.	Edmondson	Joelson
Bates	Elliott	Johnson, Calif.
Beckworth	Ellsworth	Johnson, Md.
Bell	Everett	Johnson, Wis.
Bennett, Fla.	Evins	Jones Ala.
Blatnik	Fallon	Jones, Mo.
Boggs	Farbstein	Judd
Boland	Fascell	Karsten
Bolling	Feighan	Karth
Bolton	Findley	Kastenmeier
Bonner	Finnegan	Kee
Brademas	Fino	Keith
Breeding	Flynt	Kelly
Brewster	Ford	Keogh
Bromwell	Forrester	Kilgore
Brooks, Tex.	Fountain	King, Calif.
Broomfield	Frazier	King, Utah
Broyhill	Frelinghuysen	Kirwan
Buckley	Friedel	Kitchin
Burke, Ky.	Fulton	Kluczynski
Burke, Mass.	Gallagher	Kornegay
Byrne, Pa.	Garmatz	Kowalski
Byrnes, Wis.	Gary	Kunkel
Cahill	Gathings	Landrum
Cannon	Giaimo	Lane
Carey	Gilbert	Langen
Celler	Gonzalez	Lankford
Chamberlain	Goodell	Lennon
Chelf	Granahan	Lesinski
Clark	Grant	Libonati
Coad	Gray	Lindsay
Cohelan	Green, Oreg.	Loser
Conte	Green, Pa.	McDowell
Cook	Griffin	McFall
Cooley	Griffiths	Macdonald
Corbett	Gubser	MacGregor
Corman	Hagen, Calif.	Mack
Curtin	Hagan, Ga.	Madden
Curtis, Mo.	Halleck	Magnuson
Daddario	Halpern	Mahon
Daniels	Hansen	Mailliard
Marshall	Poage	Shriver
Mathias	Poff	Sibal
Matthews	Powell	Sisk
Meader	Price	Slack
Merrow	Pucinski	Smith, Iowa
Michel	Purcell	Smith, Miss.
Miller, Clem	Quie	Smith, Va.
Miller, N.Y.	Rains	Spence
Milliken	Randall	Springer
Mills	Reece	Stafford
Minshall	Reuss	Stephens
Montoya	Rhodes, Pa.	Stratton
Moorhead, Pa.	Riehlman	Stubblefield
Morris	Rivers, Alaska	Sullivan
Morrison	Roberts, Ala.	Taylor
Morse	Roberts, Tex.	Teague, Calif.
Mosher	Robison	Thomas
Moss	Rodino	Thompson, N.J.
Moulder	Rogers, Colo.	Thompson, Tex.
Multer	Rogers, Fla.	Thornberry
Murphy	Rogers, Tex.	Toll
Murray	Rooney	Trimble
Natcher	Roosevelt	Tuck
Nedzi	Rosenthal	Tupper
Nelsen	Rostenkowski	Udall, Morris K.
Nix	Roush	Ullman
Norblad	Rutherford	Vanik
Norrell	Ryan, Mich.	Vinson
Nygaard	Ryan, N.Y.	Wallhauser
O'Brien, Ill.	St. Germain	Walter
O'Brien, N.Y.	Santangelo	Watts
O'Hara, Ill.	Schenck	Weaver
O'Hara, Mich.	Schneebeli	Weis
O'Neill	Schweiker	Wickersham
Osmers	Schwengel	Widnall
Ostertag	Scott	Willis
Patman	Scranton	Wright
Perkins	Selden	Yates
Peterson	Shelley	Zablocki
Pfost	Sheppard	Zelenko
Pike	Short	

NAYS—125

Adair	Gavin	Pelly
Alexander	Glenn	Philbin
Alger	Goodling	Pillion
Andersen,	Gross	Pirnie
Minn.	Haley	Ray
Anderson, Ill.	Hall	Reifel
Andrews	Harrison, Wyo.	Rhodes, Ariz.
Ashbrook	Harsha	Riley
Ayres	Harvey, Ind.	Rivers, S.C.
Baring	Hays	Roudebush
Battin	Hiestand	Rousselot
Becker	Hoeven	St. George
Beermann	Hoffman, Ill.	Saylor
Belcher	Ichord, Mo.	Schadeberg
Bennett, Mich.	Jarman	Scherer
Berry	Jensen	Seely-Brown
Betts	Johansen	Shipley
Bow	Jonas	Sikes
Boykin	Kearns	Siler
Bray	Kilburn	Smith, Calif.
Brown	King, N.Y.	Staggers
Bruce	Knox	Steed
Burleson	Kyl	Taber
Casey	Laird	Teague, Tex.
Cederberg	Latta	Thomson, Wis.
Chenoweth	Lipscomb	Tollefson
Chiperfield	McCulloch	Utt
Church	McDonough	Van Pelt
Clancy	McIntire	Van Zandt
Collier	McMillan	Waggonner
Colmer	Martin, Mass.	Westland
Cramer	Martin, Nebr.	Whalley
Cunningham	Mason	Wharton
Dague	May	Whitener
Dent	Moeller	Whitten
Devine	Monagan	Williams
Dominick	Moore	Wilson, Calif.
Dowdy	Moorehead,	Wilson, Ind.
Durno	Ohio	Winstead
Fenton	Morgan	Young
Fisher	O'Konski	Younger
Fogarty	Olsen	
Garland	Passman	

NOT VOTING—13

Alford	Horan	Saund
Blitch	McSween	Thompson, La.
Curtis, Mass.	McVey	
Davis, Tenn.	Miller,	
Flood	George P.	
Hoffman, Mich.	Pilcher	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. George P. Miller for, with Mr. Alford against.

Mr. Curtis of Massachusetts for, with Mr. McVey against.

Until further notice:

Mr. Davis of Tennessee with Mr. Horan.

Mr. McSween with Mr. Hoffman of Michigan.

Mr. KYL changed his vote from "yea" to "nay."

Mr. PETERSON changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND REMARKS

Mr. MILLS. Mr. Speaker, I ask unanimous consent that Members desiring to do so may have 5 legislative days in which to extend their remarks in the body of the RECORD just prior to completion of proceedings in the Committee on the Whole on the bill.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

SUGAR ACT AMENDMENTS OF 1962

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, with Senate amendments thereto, disagree to the Senate amendments, insist on the position of the House, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

Mr. HAYS. Mr. Speaker, reserving the right to object, I would like to ask the gentleman from North Carolina if this means we are going to stagger around here all night Saturday waiting for him to get his way with the Senate, as we have in years past?

Mr. COOLEY. I hope it will not be necessary for us to be in session Saturday night. I have no control over that.

Mr. HAYS. All right. In that case, I object.

EXPORT CONTROL ACT OF 1949

Mr. PATMAN submitted the following conference report and statement on the bill (S. 3161) to provide for continuation of authority for regulation of exports, and for other purposes:

CONFERENCE REPORT (H. REPT. No. 1949)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3161) to provide for continuation of authority for regulation of exports, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following: "That section 12 of the Export

Continuing members: Gordon A. Ewing, Director (Information Center Service); Henry Loomis, Director (Broadcasting Service); Ray Mackland, Director (Press and Publication Service); Thomas C. Sorensen, Deputy Director (Policy and Plans); George C. Stevens, Jr., Director (Motion Picture Service Information).

Examinations

Foreign language specialist, GS–5 through GS–13.

Radio broadcast technician, WB–1.

Transmitter and receiver operator and maintenance technician, levels, 1, 2, 3, 4, and 5.

CENTRAL BOARD OF U.S. CIVIL SERVICE EXAMINERS, VETERANS' ADMINISTRATION

Chairman: John S. Arledge, Jr., Chief (Employment Division, Department of Medicine and Surgery).

Executive Secretary: Marion S. Zalon, Placement Specialist.

Continuing members: Dr. Benjamin Miller, Director (Radiology Service); Roger Cumming, Director (Social Work Service); Lee Mork Director (Design Service); Dr. Joseph Samler, Supervisory Staff Psychologist.

Examinations

Architect, GS–5 through GS–13.

Biochemist, GS–7 through GS–13.

Bacteriologist, GS–7 through GS–13.

Serologist, GS–7 through GS–13.

Psychologist, GS–11 through GS–15.

Counseling psychologist (VR&E), GS–12 and GS–13.

Corrective therapist, GS–5 through GS–9.

Occupational therapist, GS–5 through GS–9.

Physical therapist, GS–5 through GS–9.

Biochemist radioisotopes, GS–7 through GS–14.

Biologist radioisotopes, GS–9 through GS–14.

Physicist radioisotopes, GS–7 through GS–14.

Medical record librarian, GS–5 through GS–12.

Resident in hospital administration.

Clinical social worker, GS–7 through GS–13.

Pharmacist, FS–7 through GS–12.

Dietition, GS–5 through GS–10.

BOARD OF U.S. CIVIL SERVICE EXAMINERS, VETERANS' ADMINISTRATION HOSPITAL, VETERANS' ADMINISTRATION

Chairman: Vacancy.

Executive secretary: William G. Charlton, supervisory personnel management specialist.

Continuing member: Dr. Walter Kurland, personnel physician.

Examinations

Histopathology technician, GS–3, 4, 5, and 6.

Medical radiology technician, GS–3, 4, and 5.

Medical laboratory technician, GS–5 and 6.

Nursing assistant, GS–2.

Dental technician, GS–5, 6, and 7

INDIANA DEEP WATER PORT AT BURNS DITCH

The SPEAKER. Under previous order of the House, the gentleman from Indiana [Mr. ROUSH] is recognized for 10 minutes.

(Mr. ROUSH asked and was given permission to revise and extend his remarks.)

Mr. ROUSH. Mr. Speaker, I have addressed the House several times on the subject of the Indiana Deep Water Port at Burns Ditch, on the Indiana shoreline of Lake Michigan. The Corps of Engineers of the U.S. Army has published a report suggesting that a public harbor at the site would be feasible and recommending that the United States participate in its construction.

In the course of preparing the report for submission to the Congress, a copy of the report was directed to the Department of the Interior and their views on the report were solicited. On June 20, the comments of the Department were forwarded by the Secretary of the Interior back to the Chief of the Corps of Engineers.

The comments of the Department are very disturbing. While the Department has considered the project several times over the past decade, and while it is considering an area adjacent to the harbor as a national seashore site, the report contains inaccuracies in facts and a lack of understanding of the proposed development. In addition to this, the Department has ventured opinions in certain areas completely contrary to the opinions of other competent governmental authorities.

Now, Mr. Speaker, I do not for one minute deny the right of the Department of the Interior to disagree with me and the Governor of Indiana, our U.S. Senators, our congressional delegation, our State legislature, and millions of our citizens plus the Corps of Engineers, the Department of Commerce, the Department of Health, Education, and Welfare, and various agencies subordinate to the Department of the Interior. It has the right to disagree, but its disagreement should be based on facts, not fiction. Its disagreement should be based on considerations in areas where the Department is competent and authoritative.

There is inconsistency in the comments. On one hand the Department of the Interior suggests that that development of the port and industrial area, and what the Department terms "the inevitable pollution which would necessarily follow the construction" would have a detrimental effect on the public recreation potential of the area several miles away. On the other hand the Department supports a proposal which would conserve land in a crazy quilt pattern which would completely surround an authorized and existing private harbor and industrial plant. The Department concludes that the port construction would foreclose the possibility of establishing a unit of the National Park System by suggesting that there would not be an area left of sufficient size and possessing sufficient scenic and recreational values to be considered appropriate. On the other hand the National Park System contains parks with 20 percent of the area of the remaining duneslands which the Department has described as outstanding.

The Department of the Interior raises what it considers two significant questions: First, it suggests that the Engineers report did not consider the loss in park and recreational resources in its analysis of the cost-to-benefit evaluation of the harbor project. Some time ago I asked the Department of the Interior if there was some formula by which a benefit price could be established for esthetic properties. They told me that it is impossible to put a dollar sign on the beauty of a sunset on a remote beach or some other natural phenomena. Now, the same Department complains that another agency has not done what they told me was impossible for them to do.

Next, the Department suggests that the corps did not seriously weigh the Burns Ditch site against other potential sites along the 45-mile Lake Michigan shoreline in the State of Indiana. First, let me say that the Department of the Interior gives Indiana several more miles of shoreline than it possesses. Perhaps on these uncharted and undiscovered miles of shoreline there could be a place for a port. But on the chartered area of our shoreline which has been recognized for 143 years as our shoreline, there is no alternate site. The corps did not reinvestigate the entire shoreline of the State of Indiana in preparing its report. None of the existing harbor locations would be practically improved to construct a port of the scope planned. They did not survey the Indiana Dunes State Park shoreline since it was considered in valuable usage. They did not survey the residential areas on the shore in the cities of Gary, Michigan City, Hammond and others on the industrial sections of the shore where it would be impossible to construct support facilities. They only surveyed the area which is practical for construction of a port, which has some public or private support as a harbor site and which has the economic activities needed to support and justify a port. There is just one such site and that is at Burns Ditch.

In raising this question, the Department infers that the port is being positioned at Burns Ditch to give undue benetfits to a single business firm, Midwest Steel Corp. In quoting from the Engineers' report the Department of the Interior suggests that "this site was selected because it is the only one which will serve * * * the needs of the Midwest Steel Corp." Further statements are quoted to infer that this project has as its sole beneficiary the Midwest Steel Corp. Now, let me read the phrase which was so delicately deleted. Let us put the quote back together and see how it takes on a different meaning. The full quotation on page 19 of the corps' report says that this site was selected because it is "the only one which will serve the public harbor facilities planned by the State and the needs of Midwest Steel Corp." I suggest that this deletion was a deliberate attempt to mislead an unknowing reader of the comments and to make it seem that this was a highly irregular and suspicious project.

Earlier I quoted the Department of Interior as suggesting that pollution would be caused by the harbor and the industrialization of the area which would have a detrimental effect on the recreation potential of the area. I suggest that the Department is not consistent with other agencies of the Government more competent to testify in this area. The Public Health Service maintains a qualified agency which is responsible for studies of pollution and they disagree

with the conclusion reached in the Department of the Interior. In their comments on the same project the real experts say, "It is concluded that both existing and potential water pollution from Burns Ditch and the proposed Waterway Harbor can be adequately controlled to protect local beaches and water supplies." They said earlier that the project would not affect the Public Health Service program.

The comments of the Department of Interior suggest that there are now 5½ miles of beach and 9,000 acres of suitable park area. Two years ago, the very thorough Great Lakes shoreline survey suggested that there were only 5,000 acres of any conservation value and their letter of 1959 to the Corps of Engineers suggested that they were considering only 4 miles of suitable beach. It is amazing that the land has improved in natural beauty so much in such a short period of time.

The comments of the Department of the Interior on the report on the Burns Waterway Harbor project cannot be taken seriously. They obviously contain errors in fact, and inconsistencies with Department policies and previous statements.

There will be a port constructed at the Burns Waterway Harbor site. It has been authorized and it is planned as a private port by the Midwest Steel Corp. There will be industrialization of that area because factories are already established there. The natural dunes have already been destroyed by Chicago developers to build the beaches, roads, and buildings of Chicago.

The State of Indiana plans to take advantage of an opportunity presented by the interest of Midwest and Bethlehem Steel Cos., and many other commercial companies in this site to construct a public harbor to provide additional commercial transportation facilities for the producers and the consumers of the Midwest. It has suggested a plan which would offer a national seashore area of nearly 5,000 acres in the area of the finest dunesland. This is the practical solution to this controversy.

There are reasons why some people in Illinois should oppose the Indiana port project. But these reasons seem greedy and they are trying to conceal these real reasons for opposition behind a facade of conservation. I suggest that the opponents of the Indiana harbor seek to conserve the economic welfare of the Calumet port in Illinois, not the beautiful dunes of Indiana.

The Indiana port will compete with the Calumet port for all transshipments of coal, grain, and general cargo from the area. When the Indiana port opens, it will offer shippers a faster and cheaper harbor facility. The following chart will show the comparison with the Calumet port:

Transportation savings for transhipped traffic comparing Burns Waterway Harbor with Calumet Harbor, Ill.

Commodity	Savings in time (hours) [1]	Savings on vessel operation per trip	Tug savings per trip [1]
Coal	4	[2] $788	$780
Grain	5	[3] 955	1,055
General cargo	5	[4] 500	1,145

[1] Based on round-trip vessel time from outer harbor to terminals on Calumet River as determined by study of actual transit and detention time, 1959 records.
[2] Weighted average hourly rates of prospective bulk cargo and self-unloader fleets, each type handling ½ of coal traffic.
[3] Weighted average hourly rates of prospective bulk cargo fleet.
[4] Daily operating costs, C–2 type vessels in port.

It is obvious why our friends from Illinois oppose the project. They have built a white elephant, and they are trying to protect it.

If there are those in the Department of the Interior and elsewhere who are legitimately interested in the conservation and protection of the Indiana dunes, let them join with us from Indiana and fight to save the remaining 5,000 acres of dunesland. By joining with those who seek to block Indiana's valuable port under the guise of conservation of the dunes, they risk the loss of the dunes. I urge that the Department of the Interior reevaluate its position and develop a statement which is factual, consistent, and in the interests of true conservation. I urge that those Members who will be responsible soon for consideration of these projects in congressional committees consider the inaccuracies in the Department of Interior's comments when evaluating those comments. I hope that a more accurate analysis of the harbor project from the standpoint of the conservationist will be available from the Department of the Interior when the bills authorizing the public harbor are being considered.

PERSONAL ANNOUNCEMENT

Mr. HAYS. Mr. Speaker, at the request of the distinguished gentleman from Hawaii [Mr. INOUYE] whose State is vitally interested in the sugar bill, I withdraw my objection to the request of the gentleman from North Carolina to go to conference.

SUGAR ACT AMENDMENTS OF 1962

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill, H.R. 12154, to amend and extend the provisions of the Sugar Act of 1948, as amended with the Senate amendments thereto, disagree to the Senate amendment, insist on the position of the House, and agree to the conference asked by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

The Chair hears none and appoints the following conferees: Messrs. COOLEY, POAGE, JONES of Missouri, INOUYE, HOEVEN, MCINTIRE, and TEAGUE of California.

Mr. COOLEY. Mr. Speaker, I ask unanimous consent that the conferees on the bill, H.R. 12154, may have until midnight Friday night to file a conference report for printing under the rule.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

NATION'S LAND-GRANT COLLEGES AND UNIVERSITIES

(Mr. WILSON of California (at the request of Mr. CAHILL) was granted permission to extend his remarks at this point in the RECORD.)

Mr. WILSON of California. Mr. Speaker, I am especially happy to join others of my colleagues today in saluting the Nation's land-grant colleges and universities, and to note that July 2 will be the 100th anniversary of the signing of the Morrill Land-Grant Act by President Lincoln.

In my own State, the University of California, with five Nobel Prize winners now on its faculty, is a notable example of the high academic standards the land-grant institutions have built for themselves. All five of these scholars earned one or more degrees at land-grant institutions.

But perhaps more significant is the fact that our land-grant colleges and universities recognized early that higher education should not be exclusively the preserved of the intellectually elite, but also the right of those who will follow careers in agriculture and the industrial and commercial arts.

Who would deny that much of this country's leadership in these areas stems from the recognition of this principle? Learning should not be undertaken wholly for its own sake, but in the hope of benefitting mankind.

With these goals, I am confident our land-grant institutions will continue to be a credit to our country, and am happy to wish them well.

(Mr. SCRANTON (at the request of Mr. CAHILL) was granted permission to extend his remarks at this point in the RECORD.)

[Mr. SCRANTON'S remarks will appear hereafter in the Appendix.]

SUPREME COURT DECISION ON PUBLIC SCHOOL PRAYER

(Mr. ALGER (at the request of Mr. CAHILL) was granted permission to ex-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

Issued July 2, 1962
For actions of June 29 & 30, 1962
87th-2d, Nos. 109 & 110

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HIGHLIGHTS: House received conference report on sugar bill. House committee voted to report new farm bill. Senate committee voted to report International Wheat Agreement. Senate committee reported Labor-HEW appropriation bill - June 29. House agreed to conference report on sugar bill. House passed bill to continue authority for harvesting hay on conservation reserve acreage. House passed bill to extend time for filing tobacco allotment lease transfers - June 30.

HOUSE - JUNE 29

1. SUGAR. Received the conference report on H. R. 12154, the sugar bill (H. Rept. 1957)(pp. 11482-6, [illegible]). The statement of the House conferees and comments on the provisions of the bill, as agreed to by the conference committee, as follows:

"1. Extends the act to December 31, 1966, with respect to domestic areas and the Philippines and to December 31, 1964, with respect to quotas for other foreign countries.

"2. Provides that, when domestic requirements are at the present level of 9.7 million tons, the U. S. sugar market will be supplied as follows:

"(a) By increasing the quotas for domestic sugar-producing areas by about 625,000 tons and in addition assigning those domestic areas 65 percent of increases in consumption as compared to 55 percent under current legislation....

"The assignments to the domestic areas are effective during the life of this act, to December 31, 1966.

"(b) By assigning a quota of 1,050,000 tons to the Philippines, effective until December 31, 1966. There will be no premium recapture on the Philippine quota.

"(c) By assigning quotas totaling 1,205,000 tons to foreign suppliers, other than Cuba and the Philippines, to be effective to December 31, 1964....

"With respect to these foreign country quotas, there will be a cumulative reduction of 10 percent each year in the premium permitted over world prices. The import fee will be 10 percent of the difference between the world price and the U. S. price in the period during 1962 in which this provision is effective, 20 percent in 1963, and 30 percent in 1964.

"(d) By reserving a quota of approximately 1,635,000 tons for Cuba when that nation again becomes a free and independent nation. In the meantime while the United States and Cuba are not in diplomatic relations, the amount of this Cuban reserve will be purchased from any countries with which we are in diplomatic relations on a "global quota" basis with full recapture of the difference between the world price and the U. S. price, with special consideration to countries of the Western Hemisphere and to those countries purchasing U. S. agricultural commodities.

"The committee will observe with interest the operation of this global quota purchase program and requests that the Secretary of Agriculture provide it with monthly reports on all operations under this provision of the Sugar Act.

"3. Revises the formula provided in section 201 of the act to employ the price of raw sugar and the USDA parity index, as they were related in the years 1957 to 1959, as a guide to the fairness of prices between producers and consumers.

"4. Stipulates that the Secretary of Agriculture, in order to make available acreage for growth and expension of the beet sugar industry, reserve each year, from the national sugarbeet acreage requirement, not in excess of the acreage required to yield 65,000 tons, which represents a reserve amounting to the average production of approximately 26,000 acres. This reserve would be distributed to farms without regard to other acreage allocations to States or to areas within States. The sugarbeet acreage reserve would be available for distribution to new growers supplying a new factory in a new area, and it is contemplated that this would enable the establishment of one new factory each year with two factories in each third year. The bill as agreed upon in conference also clarifies the circumstances under which the Secretary would establish grower proportionate shares and the Secretary's authority to consider the sugarbeet production history of farm operations in lieu of or in addition to the sugarbeet production history of land units, in regions where the Secretary determines that sugarbeet production is organized generally around persons

rather than units of land and where personal history was generally used prior to 1962. The conferees stipulated that no language in the bill agreed upon could be deemed to deny the Secretary authority to make State allocations with respect to cane sugar as well as to beet sugar.

"5. Places limitations on direct-consumption sugar substantially similar to those in the House bill. This would limit the direct-consumption sugar that may be entered from foreign countries other than the Republic of the Philippines to the average entries during the years 1957-59 of such sugar from countries which receive a proration of 20,000 tons or less. No direct-consumption imports would be permitted from countries, other than the Philippines, with quotas of more than 20,000 tons. Provides that replacement supplies of sugar authorized for importation in lieu of quotas of countries not in diplomatic relations with the United States, such as Cuba, shall be in raw sugar so long as raw sugar is reasonably available from all authorized sources combined. If the Secretary finds that raw sugar is not reasonably available, he may authorize the purchase of direct-consumption sugar as required.

"6. Provides that a deficit in the quota or proration for any domestic area or foreign country would be prorated, in accordance with their basic quotas or prorations, to quota countries with which the United States maintains diplomatic relations and which are able to fill such deficit. If these countries cannot fill all of such deficit, the remainder would be apportioned by the Secretary to nonquota countries with which we are in diplomatic relations.

"7. Provides that any nation or political subdivision thereof which hereafter unlawfully expropriates American-owned property or otherwise seriously discriminates against such property and fails to take remedial action within a reasonable time will have its quota, proration, or authorization to import sugar suspended. Further provides that if the President, in his discretion, finds that any nation discriminates against U. S. citizens in its sugar program, he shall suspend the quota or other authorization of such nation.

"8. Provides that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation unless the Secretary finds that importation will not substantially interfere with attainment of the objectives of the act. The Secretary may also apply quotas to the sugar content of any sugar-containing product or mixture that has a history of importation in recent years if he finds that importation of the product or mixture will substantially interfere with attainment of the objectives of the act.

"9. Sets up a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses and eliminates other liquid sugar quotas.

"10. Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas and only sugar produced in the Virgin Islands would be eligible to be brought into the continental United States within the quota for the Virgin Islands."

2. FARM BILL. The "Daily Digest" states that the Agriculture Committee "ordered reported favorably to the House H. R. 12266 (amended, a clean bill to be introduced), the new general farm bill." p. D540

3. FARM LABOR. Rep. Roberts commended proposed legislation to authorize grants for family clinics for the domestic agricultural migratory workers and inserted several articles on "the need for assistance in this field for the migratory farmworkers." pp. 11479-81

4. ESTES INVESTIGATION. Rep. Andersen defended his actions in the Estes case, stating that he had been "a victim of circumstances." p. 11440

5. EXPORT CONTROL. Both Houses received the conference report on S. 3161, to provide for continuation of authority for the regulation of exports for three years until June 30, 1965. (H. Rept. 1955)(pp. 11410-11, 11440-1). The Senate agreed to the conference report (pp. 11410-3).

6. ATOMIC ENERGY. The Rules Committee reported a resolution for consideration of H.R. 11974, to authorize appropriations for the Atomic Energy Commission. pp. 11442, 11487

7. PERSONNEL; PROCUREMENT. Passed without amendment H. R. 12180, to extend for two years, until July 1, 1964, the existing provisions of law relating to the free importation for personal and household effects brought into the U. S. by military and civilian personnel returning to the U. S. under Government orders. pp. 11443-4

8. LAND-GRANT COLLEGES. Reps. Chamberlain and Price commended the work of the land-grant colleges on their 100th anniversary. pp. 11456-9, 11471

SENATE - JUNE 29

9. APPROPRIATIONS. The Appropriations Committee reported with amendments H. R. 10904, the Labor-HEW appropriation bill for 1963 (S. Rept. 1672). p. 11376

10. ATOMIC ENERGY. The Joint Committee on Atomic Energy reported with amendments S. 3392, to authorize appropriations for the Atomic Energy Commission (S. Rept. 1671). p. 11376

11. INTERGOVERNMENTAL RELATION. The Government Operations Committee reported an original resolution, S. Res. 359, authorizing the creation of a Subcommittee on Intergovernmental Relations. p. 11377

12. VETERANS LOANS. Sen. Sparkman commended the program for guaranteed and direct home loans for veterans and stated that certain of the authorities for these loans will begin expiring this year. pp. 11378-9

13. LAND-GRANT COLLEGES. Sens. McGee, Hartke, and Carroll commended the work of the land-grant colleges on their 100th anniversary. pp. 11382, 11384, 11386-7

14. VIRGIN ISLANDS. Passed as reported S. 2429, to revise the boundaries of the Virgin Islands National Park. pp. 11387-8

15. WHEAT. The Foreign Relations Committee voted to report the International Wheat Agreement, 1962. p. D539

16. TRANSPORTATION. Passed with amendment S. 2560, to provide for stricter enforcement of the Interstate Commerce Act relating to common carriers. pp. 11388-9, 11394-402

17. ELECTRIFICATION. Sen. Humphrey inserted a report by John Hoke, Communications Resources Division of AID, "A Report on Small Power Sources." pp. 11390-1

18. CONTRACTS. Passed with amendments H. R. 12061, to extend the Renegotiation Act of 1951. pp. 11402-10, 11421-4, 11428-32

19. HEALTH INSURANCE. Sens. Anderson, Javits, Case (N. J.), Carroll, Cooper, Humphrey and Morse discussed proposed legislation for health insurance for the

87TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1957

SUGAR ACT AMENDMENTS OF 1962

JUNE 29, 1962.—Ordered to be printed

Mr. COOLEY, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 12154]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That this Act may be cited as the "Sugar Act Amendments of 1962".

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: by striking out of the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture."

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"Area	Short tons, raw value
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in their being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: Provided, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, of sugar.

"(c)(1) For the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

"(2) For the calendar years 1963 and 1964, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"(3)(A) The quotas for foreign countries other than the Republic of

the Philippines determined under paragraphs (1) and (2) of this subsection, less five thousand six hundred and sixty-seven short tons, raw value, for 1962 and less eleven thousand three hundred and thirty-two short tons, raw value, for 1963 and 1964, shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba	57.77
Peru	6.71
Dominican Republic	6.71
Mexico	6.71
Brazil	6.37
British West Indies	3.19
Australia	1.41
Republic of China	1.24
French West Indies	1.06
Colombia	1.06
Nicaragua	0.88
Costa Rica	0.88
Ecuador	0.88
India	0.71
Haiti	0.71
Guatemala	0.71
South Africa	0.71
Panama	0.53
El Salvador	0.36
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35

"(B) For the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar years 1963 and 1964, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar years 1963 and 1964, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

"(4) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar not to exceed an amount equal to the proration

or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities.

"(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

"(6) Sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar.

"(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

"(e) If a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

"(f) The quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated pro-

duction from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: Provided, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: Provided, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

SEC. 5. (a) Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately after "sugarbeets or sugarcane" the following: ", limited in any year when proportionate shares were in effect to processings".

(b) Section 205(a) of such Act is further amended by inserting after the second sentence thereof the following new sentence: "The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation."

SEC. 6. Section 206 of such Act is amended to read as follows:

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the

Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: Provided, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act."

SEC. 7. Section 207 of such Act is amended to read as follows:

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: Provided, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

"(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar

entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

SEC. 8. Section 208 of such Act is amended to read as follows:

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. Section 212 of such Act is amended by inserting after "alcohol," in clause (4) thereof the following: "including all polyhydric alcohols,".

SEC. 12. A new section 213 is added and inserted immediately after section 212 of such Act as follows:

"SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

"(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) and (5) of section 202(c).

"(c) As a condition for importing sugar into the continental United States pursuant to paragraph (3) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, and 1964, which fee in each such year shall be respectively 10, 20, and 30 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), or whenever paragraph (4) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, and 1964, shall be respectively 0.1, 0.2, and 0.3 of one cent per pound more than the import fee imposed on raw sugar under this paragraph.

"(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts."

SEC. 13. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary".

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

(c) Section 302(b) of such Act is amended to read as follows:

"(b)(1) Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms

in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.

"(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State.

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized. Provided, however, That beginning with 1966, the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce 100,000 short tons, raw value, of sugar. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet

production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality.

"(4) The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

"(5) In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.

"(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

"(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico."

SEC. 14. Section 404 of such Act is amended by inserting ", fees" after the word "penalties" in the second sentence thereof.

SEC. 15. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a), whichever procedure is applicable.

"(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable."

SEC. 16. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "June 30" and inserting in lieu thereof "December 31" and by striking out "1962" in each place it appears therein and inserting in lieu thereof "1966".

SEC. 17. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

SEC. 18. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" in each place it appears therein and inserting in lieu thereof "June 30, 1967".

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962"

and inserting in lieu thereof "June 30, 1967" and by striking out "March 31, 1963" and inserting in lieu thereof "September 30, 1967".

SEC. 19. (a) Except as otherwise provided, the amendments made by this Act shall become effective January 1, 1962.

(b) The amendments made by section 6 and section 12 of this Act shall each become effective on the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier.

And the Senate agree to the same.

HAROLD D. COOLEY,
W. R. POAGE,
PAUL C. JONES,
DANIEL K. INOUYE,
CHARLES B. HOEVEN,
CLIFFORD G. MCINTIRE,
CHARLES M. TEAGUE,
Managers on the Part of the House.

HARRY F. BYRD,
ROBERT S. KERR,
RUSSELL B. LONG,
GEORGE A. SMATHERS,
FRANK CARLSON,
WALLACE F. BENNETT,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report:

The Senate amendment struck out all after the enacting clause of the House bill and substituted language which differed from the House bill in several major respects. The Senate amendment generally retained the provisions of the House bill relating to quotas for domestic areas and the proration of deficits. The Senate amendment differed substantially from the House bill in its handling of the foreign portion of the quota. It continued unchanged the quotas of foreign countries at the level provided in existing law except to reduce the Cuban quota by the amount which had been added to domestic quotas. It provided that a quantity of sugar equal to that withdrawn from Cuba (or from any other quota country with which the United States broke off diplomatic relations) should be purchased on the world market and subject to an import fee which would return to importers only the world market price. It further provided that sugar imported from countries assigned specific quotas would be subject to an import fee which would recapture a cumulative 20 percent each year of the difference between the world price and the domestic price of sugar, adding up to complete recapture of this difference in 5 years.

Under the Senate amendment, the importation of refined sugar would have been continued at approximately the same rate as under existing law except that importations of refined sugar from Cuba would have been reduced by 125,000 tons and the balance of the Cuban white sugar authorization would not have been imported as long as Cuba is not permitted to fill its quota. The House bill contained, in view of the increased raw sugar quotas, more substantial restrictions of the importation of refined sugar.

The Senate amendment did not contain the provisions of the House bill designed to prevent foreign countries discriminating against U.S. citizens in allocating or distributing its quota among exporters in such country and to penalize quota countries which expropriate the property of American citizens without adequate compensation. Also, the Senate amendment did not contain the House provision authorizing the return to sugar exporters of the Dominican Republic the import fees which were assessed against them in 1960 and 1961.

Following are the major provisions of the substitute for the Senate amendment which has been agreed to in the committee of conference and is recommended in the accompanying conference report.

1. Extends the act to December 31, 1966, with respect to domestic areas and the Philippines and to December 31, 1964, with respect to quotas for other foreign countries.

2. Provides that, when domestic requirements are at the present level of 9.7 million tons, the U.S. sugar market will be supplied as follows:

(*a*) By increasing the quotas for domestic sugar-producing areas by about 625,000 tons and in addition assigning those domestic areas 65 percent of increases in consumption as compared to 55 percent under current legislation. The quotas for each of the domestic sugar-producing areas under current legislation and as provided in the conference agreement are as follows:

[Short tons, raw value]

Area	Present legislation	Conference agreement
Domestic beet sugar	2,110,627	2,650,000
Mainland cane sugar	649,460	895,000
Hawaii	1,117,936	1,110,000
Puerto Rico	1,231,682	1,140,000
Virgin Islands	16,795	15,000
Total	5,186,500	5,810,000

The quotas for the domestic areas were identical in the House and Senate language.

The assignments to the domestic areas are effective during the life of this act, to December 31, 1966.

(*b*) By assigning a quota of 1,050,000 tons to the Philippines, effective until December 31, 1966. There will be no premium recapture on the Philippine quota.

(*c*) By assigning quotas totaling 1,205,000 tons to foreign suppliers, other than Cuba and the Philippines, to be effective to December 31, 1964, on approximately the following basis:

Country	*Tons*	*Country*	*Tons*
Peru	190,000	Ecuador	25,000
Dominican Republic	190,000	Haiti	20,000
Mexico	190,000	Guatemala	20,000
Brazil	180,000	South Africa	20,000
British West Indies	90,000	Panama	15,000
Australia	40,000	El Salvador	10,000
Republic of China	35,000	Paraguay	10,000
French West Indies	30,000	British Honduras	10,000
Colombia	30,000	Fiji Islands	10,000
Nicaragua	25,000	Netherlands	10,000
Costa Rica	25,000	Other countries	11,332
India	20,000		

With respect to these foreign country quotas, there will be a cumulative reduction of 10 percent each year in the premium permitted over world prices. The import fee will be 10 percent of the difference between the world price and the U.S. price in the period during 1962 in which this provision is effective, 20 percent in 1963, and 30 percent in 1964.

(*d*) By reserving a quota of approximately 1,635,000 tons for Cuba when that nation again becomes a free and independent nation. In the meantime, while the United States and Cuba are not in diplomatic relations, the amount of this Cuban reserve will be purchased from any countries with which we are in diplomatic relations on a "global quota" basis with full recapture of the difference between the

world price and the U.S. price, with special consideration to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

The committee will observe with interest the operation of this global quota purchase program and requests that the Secretary of Agriculture provide it with monthly reports on all operations under this provision of the Sugar Act.

3. Revises the formula provided in section 201 of the act to employ the price of raw sugar and the USDA parity index, as they were related in the years 1957 to 1959, as a guide to the fairness of prices between producers and consumers.

4. Stipulates that the Secretary of Agriculture, in order to make available acreage for growth and expansion of the beet sugar industry, reserve each year, from the national sugarbeet acreage requirement, not in excess of the acreage required to yield 65,000 tons, which represents a reserve amounting to the average production of approximately 26,000 acres. This reserve would be distributed to farms without regard to other acreage allocations to States or to areas within States. The sugarbeet acreage reserve would be available for distribution to new growers supplying a new factory in a new area, and it is contemplated that this would enable the establishment of one new factory each year with two factories in each third year. The bill as agreed upon in conference also clarifies the circumstances under which the Secretary would establish grower proportionate shares and the Secretary's authority to consider the sugarbeet production history of farm operations in lieu of or in addition to the sugarbeet production history of land units, in regions where the Secretary determines that sugarbeet production is organized generally around persons rather than units of land and where personal history was generally used prior to 1962.

The conferees stipulated that no language in the bill agreed upon could be deemed to deny the Secretary authority to make State allocations with respect to cane sugar as well as to beet sugar.

5. Places limitations on direct-consumption sugar substantially similar to those in the House bill. This would limit the direct consumption sugar that may be entered from foreign countries other than the Republic of the Philippines to the average entries during the years 1957–59 of such sugar from countries which receive a proration of 20,000 tons or less. No direct consumption imports would be permitted from countries, other than the Philippines, with quotas of more than 20,000 tons. Provides that replacement supplies of sugar authorized for importation in lieu of quotas of countries not in diplomatic relations with the United States, such as Cuba, shall be in raw sugar so long as raw sugar is reasonably available from all authorized sources combined. If the Secretary finds that raw sugar is not reasonably available, he may authorize the purchase of direct-consumption sugar as required.

6. Provides that a deficit in the quota or proration for any domestic area or foreign country would be prorated, in accordance with their basic quotas or prorations, to quota countries with which the United States maintains diplomatic relations and which are able to fill such deficit. If these countries cannot fill all of such deficit, the remainder would be apportioned by the Secretary to nonquota countries with which we are in diplomatic relations.

7. Provides that any nation or political subdivision thereof which hereafter unlawfully expropriates American-owned property or otherwise seriously discriminates against such property and fails to take remedial action within a reasonable time will have its quota, proration, or authorization to import sugar suspended. Further provides that if the President, in his discretion, finds that any nation discriminates against U.S. citizens in its sugar program, he shall suspend the quota or other authorization of such nation.

8. Provides that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation unless the Secretary finds that importation will not substantially interfere with attainment of the objectives of the act. The Secretary may also apply quotas to the sugar content of any sugar-containing product or mixture that has a history of importation in recent years if he finds that importation of the product or mixture will substantially interfere with attainment of the objectives of the act.

9. Sets up a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses and eliminates other liquid sugar quotas.

10. Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas and only sugar produced in the Virgin Islands would be eligible to be brought into the continental United States within the quota for the Virgin Islands.

The House conferees reluctantly receded on the provision which provided for a refund of approximately $22 million to the Government of the Dominican Republic, including the South Puerto Rico Sugar Co., an American-owned company. The conferees agreed that while the claim was meritorious the refund of the amount involved should not be authorized in this bill, but might very well be appropriately considered in separate legislation.

HAROLD D. COOLEY,
W. R. POAGE,
PAUL C. JONES,
DANIEL K. INOUYE,
CHARLES B. HOEVEN,
CLIFFORD G. MCINTIRE,
CHARLES M. TEAGUE,
Managers on the Part of the House.

○

Responsibility for these conditions must be shared by the U.S. Congress, State, and county government, migrant crew leaders, the growers, and the workers themselves.

First, how bad are conditions?

Of the 34 camps in the 3 major areas of migrant labor—Henderson, Camden-Pasquotank, and Carteret Counties—only 5 are of the best type, concrete block.

The Raleigh Times went to Carteret County to observe the plight of the migrants and found:

People crowded into filthy frame shacks, no bathing or clothes washing facilities, unsanitary water supplies, open garbage disposals with few garbage cans provided, no place to keep food, inadequate toilet facilities, and no official health clinics.

Naturally, these conditions breed physical and moral disease. A Morehead City minister pointed out the venereal rate among these workers, who handle our food, is 11 percent.

The State employment security commission, which arranges to bring the migrants here for the harvest, boasts none are placed at camps that have not been certified by the local health department.

This is not the case.

As Carteret County Sanitation Officer A. D. Fulford says, "You approve one house, they (the growers) rent that to a permanent tenant. They'll move 'em into a house that's not approved—wherever they can stick 'em, a horse stable or cow stall."

Fulford admits he checked the camps only once, before the season started in May. He has not been back.

At one Morehead City shack about 15 migrants used an open, unsanitary water supply from a nonregulation "openmouth" pump.

These workers were in the crew of Johnny Kirkland, of Pahokee, Fla., and were working for D. S. (Danny) Oglesby. About the house, Fulford says, "I'm under the impression he doesn't have a permit."

Fulford places a large portion of the blame on the migrants themselves, "If they had the intelligence to be sanitary they wouldn't be migrant workers. We're dealing with the scum of the earth—animals."

And he puts his finger on one personality that has major responsibility, the crew leader. "The crew chief is the main one. All he's interested in is the money," says Fulford.

The crew leader is the middleman.

He deals with employment security before the season, gets harvest assignment, collects his crew, transports them to the harvest and pays them after the grower pays him.

His power is great. Most crew leaders withhold part of their crew's pay for services. In some cases the workers never get their pay.

Since he holds the power of the purse over his crew he could require them to keep clean and maintain their rooms, as one good chief does—Jack Passmore, of Pensacola, Fla.

And he could refuse to work his crew unless they had time off for meals and better living conditions, thus exercising power over the grower who must get his crop picked quickly for marketing when it ripens.

Beyond this stopgap solution, the answer must come with Federal or State legislation giving government strong tools to remove this blight from North Carolina.

The North Carolina General Assembly killed one bill that would have forced some sanitation measures in the camps. And the Federal program was halted in 1948 by the 80th Congress.

Happily, the general assembly did provide legislation this year requiring that migrants, in effect, must be hauled in either buses or closed trucks.

Although farmers are exempt from the act, it will minimize the chances for a repeat of the June 1957 tragedy in which 20 migrant workers died when their open truck crashed near Fayetteville.

County Sanitarian Fulford asks this question of the future, "It's a situation that's wrong, that's terrible. But what are you gonna do? What can you do about it?"

The Federal Government was answering that question until 1948. It may have to answer it again.

THE MIGRANT WORKER IN NORTH CAROLINA—LAST PART: LIVING DIFFERENT UNDER U.S. CONTROL

(Last in a series by Brandt Ayers, Times staff writer)

MOREHEAD CITY: It is 14 years ago in this same city, June 1947.

The potatoes lie fat and ready in the rows under the gray-eastern North Carolina earth.

The ripening is the signal for armies of Negro farmhands to rise out of the Deep South to take them and then press farther north for yet another ripening.

While this army is encamped here, it lives in orderly columns of houses under the supervision of a Farm Security Administration director and his staff.

One year later, the Republican 80th Congress toppled this simple but efficient structure, and with it vanished the health clinics, washhouses, bathhouses, sanitary privies, and recreation facilities.

From 1948, conditions in migrant camps worsened quickly.

Now, in this ocean city and its sibling, Beaufort, the migrant laborer lives in subhuman squalor appropriate to the station of the despised, disinherited American.

Hear the comment of a large grower, Mrs. K. W. Wright of Beaufort: "I realize the camps could be better, but they won't take care of what you give them."

And that of County Sanitarian A. D. Fulford: "If they had the intelligence to be sanitary they wouldn't be migrant workers. We're dealing with the scum of the earth. Animals."

A different view is taken by Nelson W. Stephenson of Raleigh in his thesis prepared in 1950 for a master of science degree in rural sociology at State College.

Stephenson had been a camp director himself under the Farm Security Administration (1942–47) and he wrote from experience as well as painstaking research.

Origin of the migrant laborer he traces to the abandonment of one-crop agriculture and the consequent demand for purely seasonal labor.

And he say, that once accustomed to decent conditions they demand more—a contradiction of the opinion they would destroy more.

He also suggests by its very nature the migrant problem needs a Federal solution.

Why is it a Federal problem ultimately?

Voluntary agencies like the Red Cross are hard pressed by other demands, the workers are not citizens of the State and are not entitled to its aid, the grower feels little responsibility for so short a time, and the community does not claim them.

Voluntary agencies in North Carolina, such as the North Carolina Council of Churches and the local migrant committees, now are doing something about the problem.

One young program in Carteret County—a combination of Federal, State, and voluntary action—may be the hope for a better, broader program of the future.

This "homemaker program" established with Federal help as a pilot program for 1 year in Carteret has been "very effective," says the Reverend Jack Mansfield, chairman of the Carteret Migrant Committee.

The program made funds available to the committee to hire two Negro women to work in the camps caring for children, teaching better sanitation, and following up on the purely voluntary health clinic's visits.

They proved their worth in one grisly case.

Henrietta, a 30-year-old Atlanta woman, miscarried a 3-month-old baby in a filthy Morehead shack after a terrible beating from the man sharing the room.

When she returned from the hospital, the two "homemakers" tried to make her more comfortable.

Henrietta and her tragic plea, "Please help me; please help me, y'all; I want to go home," are a sort of symbol of the plight of the migrants.

She is home now, but when the potatoes ripen again in another June she will come again, her few belongings tied in a soiled blanket.

When Henrietta in another year joins again the march to the harvest, 12,000 strong, will it again be a march of the disinherited, a march of despair?

(Mr. WAGGONNER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. WAGGONNER'S remarks will appear hereafter in the Appendix.]

SCHOOL PRAYER

(Mr. WINSTEAD (at the request of Mr. WAGGONNER) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. WINSTEAD. Mr. Speaker, even though the decision of the Supreme Court in the school-prayer case came as no surprise, in view of other decisions by the Court which have not been in the best interest of our great country, I am nonetheless distressed by it. One cannot help wondering if the Court is trying to drive God and religion out of our schools and even out of our heritage. It is significant that no child was required to recite the prayer in question, which simply invoked the blessings of Almighty God upon parents, teachers, and country. Therefore, the decision of the Supreme Court has, in effect, denied the rights of those children who sincerely desire to join in such a prayer.

This strange decision is indeed an affront to the American people. Surely no one will be surprised if the Court next condemns the reference to God in the Declaration of Independence, "The Star-Spangled Banner," and in the Pledge of Allegiance to the Flag. This unfortunate blunder must be corrected and I am joining my colleagues in introducing a resolution to amend the Constitution to permit prayers in public schools and in other public places. I hope the appropriate committee will take favorable action thereon.

I call your attention to an editorial which appeared in the Wall Street Journal, June 27, 1962, entitled "In the Name of Freedom." I am in full accord with the views expressed in this editorial and recommend that those of you here who have not done so already read it carefully.

IN THE NAME OF FREEDOM

"Almighty God, we acknowledge our dependence upon Thee, and we beg Thy blessings upon us, our parents, our teachers, and our country."

This is the simple, nondenominational prayer which the U.S. Supreme Court has

now ruled an offense to the Constitution. It was devised by the New York State Board of Regents and recommended for use in that State's public schools.

The Court decision is significant not only in itself but also as symptomatic of a broader move in the Nation toward the rigid exclusion of all traces of religion in the public schools. We think this attitude bespeaks considerable confusion and no abundance of commonsense.

Justice Black, writing for the 6 to 1 majority, contends that the New York prayer violates that part of the first amendment which says: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof." Specifically, he charges that it does establish religion.

Now if it were true that the prayer constituted an establishment of religion, it would be a serious matter indeed. The authors of the Bill of Rights wrote the establishment clause because they understood very well the perils of State religion and the tyranny which can go with it—which in fact had driven many from the Old World to the New to find religious freedom.

But only a violent wrenching of language can produce the interpretation that the prayer establishes a religion. If one looks at its 22 innocuous words, it must be asked, What religion? Nor does it interfere with anyone's constitutional right of free exercise of religion, including the right to practice no religion and believe in none. It is nondenominational; it is not mandatory in any school; no pupil is required to recite it.

It is simply one among innumerable official governmental references expressing what the Court itself said 10 years ago, that by and large Americans are a religious people. As Justice Stewart observes in his dissent in the present case, "to deny the wish of these schoolchildren to join in reciting this prayer is to deny them the opportunity of sharing the spiritual heritage of our Nation."

If the majority opinion prevails, however, it must logically require the excision of all those countless other official references to God—such as in the Declaration of Independence, the pledge of allegiance, "The Star-Spangled Banner," the words used to inaugurate the President, open the Congress and convoke the Supreme Court itself. Justice Douglas, concurring with the majority, seems to say it does and should apply to these and all the other official instances.

And that is by no means all. If the majority doctrine stands, then anything that smacks of religious instruction or the subtle imparting of a religious viewpoint in the public schools becomes suspect. Do not suppose this to be a fanciful exaggeration. Already the Bible is banned from some schoolrooms. Already a Florida court decision has declared school observances at Easter and Christmas to be unconstitutional, and similar efforts are afoot elsewhere. (Poor kids, if they can't even sing Christmas carols.)

As for banning the Bible, with its magnificent poetry and philosophy, that is but the bare beginning, since so much of our culture is Biblical in derivation. In Matthew Arnold's phrase, the mainstreams of Western civilization are Hebraism and Hellenism, and by Hebraism is meant the whole Judaeo-Christian tradition and ethic.

Shall we then, uproot it? Out the window with everything from Dante to Donne, from Milton to Dickens? Or how can public schoolteachers teach about Bach or Michelangelo, when the context is so inescapably religious? What is left of history?

Thus carried to its conclusion, the argument reduces itself to absurdity. That is why we would enter a plea for the exercise of a little commonsense. Any actual attempt to establish a specific state religion is a danger that ought to be easily recognizable. But it is something entirely different to suppose that, short of unimaginable police tactics, teaching about religion can be divorced from the American education with which it is inextricably bound up as a central fact of our heritage.

Those who persist in such attempts had best take care lest, in the name of religious freedom, they do real damage to free institutions.

(Mr. WINSTEAD (at the request of Mr. WAGGONNER) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. WINSTEAD'S remarks will appear hereafter in the Appendix.]

SUGAR ACT AMENDMENTS OF 1962

Mr. COOLEY submitted the following conference report and statement:

CONFERENCE REPORT (H. REPT. No. 1957)

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "That this Act may be cited as the 'Sugar Act Amendments of 1962'.

"SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: by striking out of the last sentence thereof, all of the language following the phrase 'in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power,' and by adding after such phrase the following language: 'shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers. The term "parity index" as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture.'

"SEC. 3. Section 202 of such Act is amended to read as follows:

"'SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

"'(a)(1) For domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

"'Area	*Short tons, raw value*
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"'(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.

"'(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in there being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this subsection shall be increased to the extent of such excess production: *Provided,* That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

"'(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, of sugar.

"'(c)(1) For the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

"'(2) For the calendar years 1963 and 1964, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

"'(3) (A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less five thousand six hundred and sixty-seven short tons, raw value, for 1962 and less eleven thousand three hundred and thirty-two short tons, raw value, for 1963 and 1964, shall be prorated among such countries on the following basis:

"'Country	Per centum
Cuba	57.77
Peru	6.71
Dominican Republic	6.71
Mexico	6.71
Brazil	6.37
British West Indies	3.19
Australia	1.41
Republic of China	1.24
French West Indies	1.06
Colombia	1.06
Nicaragua	0.88
Costa Rica	0.88
Ecuador	0.88
India	0.71
Haiti	0.71
Guatemala	0.71
South Africa	0.71
Panama	0.53
El Salvador	0.36

"'Country	Per centum
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35

"'(B) For the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar years 1963 and 1964, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"'(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar years 1963 and 1964, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

"'(4) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to the countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities.

"'(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

"'(6) Sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar.

"'(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than 10 per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

"'(e) If a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

"'(f) The quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country.'

"SEC. 4. Section 204 of such Act is amended to read as follows:

"'SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

"'(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section.'

"SEC. 5. (a) Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately after 'sugarbeets or sugarcane' the following: ', limited in any year when proportionate shares were in effect to processings'.

"(b) Section 205(a) of such Act is further amended by inserting after the second sentence thereof the following new sentence: 'The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation.'

"SEC. 6. Section 206 of such Act is amended to read as follows:

"'SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar

or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act.'

"SEC. 7. Section 207 of such Act is amended to read as follows:

"'SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201.

"'(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided,* That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure.

"'(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"'(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

"'(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

"'(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

"'(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

"'(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas.'

"SEC. 8. Section 208 of such Act is amended to read as follows:

"'SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest.'

"SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words 'or proration'; (2) by inserting after the word 'proration' in subsection (d) the words 'or allocation' and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"'(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States.'

"SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

"(b) Section 211(c) is amended to read as follows: 'The quota established for any domestic sugar-producing area may be filled only with sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area.'

"SEC. 11. Section 212 of such Act is amended by inserting after 'alcohol,' in clause (4) thereof the following: 'including all polyhydric alcohols,'.

"SEC. 12. A new section 213 is added and inserted immediately after section 212 of such Act as follows:

"'SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary.

"'(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) and (5) of section 202(c).

"'(c) As a condition for importing sugar into the continental United States pursuant to paragraph (3) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, and 1964, which fee in each such year shall be respectively 10, 20, and 30 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), or whenever paragraph (4) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, and 1964, shall be respectively 0.1, 0.2, and 0.3 of one cent per pound more than the import fee imposed on raw sugar under this paragraph.

"'(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts.'

"SEC. 13. (a) Section 301(b) of such Act is amended by striking out the language 'in excess of the proportionate share for the farm, as determined by the Secretary' and inserting in lieu thereof the language 'in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary'.

"(b) Section 302(a) of such Act is amended by striking out the language 'for the farm, as determined by the Secretary,' and inserting in lieu thereof the language 'for the farm, if farm proportionate shares are determined by the Secretary,'.

"(c) Section 302(b) of such Act is amended to read as follows:

"'(b)(1) Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.

"'(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the "national sugarbeet acreage requirement") on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State.

"'(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any

other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized: *Provided, however,* That beginning with 1966, the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce 100,000 short tons, raw value, of sugar. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acerage reserve to such locality.

"'(4) The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

"'(5) In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.

"'(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

"'(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico.'

"SEC. 14. Section 404 of such Act is amended by inserting ', fees' after the word 'penalties' in the second sentence thereof.

"SEC. 15. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"'(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a), whichever procedure is applicable.

"'(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable.'

"SEC. 16. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out 'June 30' and inserting in lieu thereof 'December 31' and by striking out '1962' in each place it appears therein and inserting in lieu thereof '1966'.

"SEC. 17. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

"SEC. 18. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out 'December 31, 1962' in each place it appears therein and inserting in lieu thereof 'June 30, 1967'.

"(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out 'December 31, 1962' and inserting in lieu thereof 'June 30, 1967' and by striking out 'March 31, 1963' and inserting in lieu thereof 'September 30, 1967'.

"SEC. 19. (a) Except as otherwise provided, the amendments made by this Act shall become effective January 1, 1962.

"(b) The amendments made by section 6 and section 12 of this Act shall each become effective on the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier."

And the Senate agree to the same.

HAROLD D. COOLEY,
W. R. POAGE,
PAUL C. JONES,
DANIEL K. INOUYE,
CHARLES B. HOEVEN,
CLIFFORD G. MCINTIRE,
CHARLES M. TEAGUE,
Managers on the Part of the House.

HARRY F. BYRD,
ROBERT S. KERR,
RUSSELL B. LONG,
GEORGE A. SMATHERS,
JOHN J. WILLIAMS,
FRANK CARLSON,
WALLACE F. BENNETT,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report:

The Senate amendment struck out all after the enacting clause of the House bill and substituted language which differed from the House bill in several major respects. The Senate amendment generally retained the provisions of the House bill relating to quotas for domestic areas and the proration of deficits.

The Senate amendment differed substantially from the House bill in its handling of the foreign portion of the quota. It continued unchanged the quotas of foreign countries at the level provided in existing law except to reduce the Cuban quota by the amount which had been added to domestic quotas. It provided that a quantity of sugar equal to that withdrawn from Cuba (or from any other quota country with which the United States broke off diplomatic relations) should be purchased on the world market and subject to an import fee which would return to importers only the world market price. It further provided that sugar im-

ported from countries assigned specific quotas would be subject to an import fee which would recapture a cumulative 20 percent each year of the difference between the world price and the domestic price of sugar, adding up to complete recapture of this difference in 5 years.

Under the Senate amendment, the importation of refined sugar would have been continued at approximately the same rate as under existing law except that importations of refined sugar from Cuba would have been reduced by 125,000 tons and the balance of the Cuban white sugar authorization would not have been imported as long as Cuba is not permitted to fill its quota. The House bill contained, in view of the increased raw sugar quotas, more substantial restrictions on the importation of refined sugar.

The Senate amendment did not contain the provisions of the House bill designed to prevent foreign countries discriminating against U.S. citizens in allocating or distributing its quota among exporters in such country and to penalize quota countries which expropriate the property of American citizens without adequate compensation. Also, the Senate amendment did not contain the House provision authorizing the return to sugar exporters of the Dominican Republic the import fees which were assessed against them in 1960 and 1961.

Following are the major provisions of the substitute for the Senate amendment which has been agreed to in the committee of conference and is recommended in the accompanying conference report.

1. Extends the act to December 31, 1966, with respect to domestic areas and the Philippines and to December 31, 1964, with respect to quotas for other foreign countries.

2. Provides that, when domestic requirements are at the present level of 9.7 million tons, the U.S. sugar market will be supplied as follows:

(a) By increasing the quotas for domestic sugar-producing areas by about 625,000 tons and in addition assigning those domestic areas 65 percent of increases in consumption as compared to 55 percent under current legislation. The quotas for each of the domestic sugar-producing areas under current legislation and as provided in the conference agreement are as follows:

[Short tons, raw value]

Area	Present legislation	Conference agreement
Domestic beet sugar	2,110,627	2,650,000
Mainland cane sugar	649,460	895,000
Hawaii	1,117,936	1,110,000
Puerto Rico	1,231,682	1,140,000
Virgin Islands	16,795	15,000
Total	5,186,500	5,810,000

The quotas for the domestic areas were identical in the House and Senate language.

The assignments to the domestic areas are effective during the life of this act, to December 31, 1966.

(b) By assigning a quota of 1,050,000 tons to the Philippines, effective until December 31, 1966. There will be no premium recapture on the Philippine quota.

(c) By assigning quotas totaling 1,205,000 tons to foreign suppliers, other than Cuba and the Philippines, to be effective to December 31, 1964, on approximately the following basis:

Country:	Tons
Peru	190,000
Dominican Republic	190,000
Mexico	190,000
Brazil	180,000
British West Indies	90,000
Australia	40,000
Republic of China	35,000
French West Indies	30,000
Colombia	30,000
Nicaragua	25,000
Costa Rica	25,000
India	20,000
Ecuador	25,000
Haiti	20,000
Guatemala	20,000
South Africa	20,000
Panama	15,000
El Salvador	10,000
Paraguay	10,000
British Honduras	10,000
Fiji Islands	10,000
Netherlands	10,000
Other countries	11,332

With respect to these foreign country quotas, there will be a cumulative reduction of 10 percent each year in the premium permitted over world prices. The import fee will be 10 percent of the difference between the world price and the U.S. price in the period during 1962 in which this provision is effective, 20 percent in 1963, and 30 percent in 1964.

(d) By reserving a quota of approximately 1,635,000 tons for Cuba when that nation again becomes a free and independent nation. In the meantime, while the United States and Cuba are not in diplomatic relations, the amount of this Cuban reserve will be purchased from any countries with which we are in diplomatic relations on a "global quota" basis with full recapture of the difference between the world price and the U.S. price, with special consideration to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

The committee will observe with interest the operation of this global quota purchase program and requests that the Secretary of Agriculture provide it with monthly reports on all operations under this provision of the Sugar Act.

3. Revises the formula provided in section 201 of the act to employ the price of raw sugar and the USDA parity index, as they were related in the years 1957 to 1959, as a guide to the fairness of prices between producers and consumers.

4. Stipulates that the Secretary of Agriculture, in order to make available acreage for growth and expansion of the beet sugar industry, reserve each year, from the national sugarbeet acreage requirement, not in excess of the acreage required to yield 65,000 tons, which represents a reserve amounting to the average production of approximately 26,000 acres. This reserve would be distributed to farms without regard to other acreage allocations to States or to areas within States. The sugarbeet acreage reserve would be available for distribution to new growers supplying a new factory in a new area, and it is contemplated that this would enable the establishment of one new factory each year with two factories in each third year. The bill as agreed upon in conference also clarifies the circumstances under which the Secretary would establish grower proportionate shares and the Secretary's authority to consider the sugarbeet production history of farm operations in lieu of or in addition to the sugarbeet production history of land units, in regions where the Secretary determines that sugarbeet production is organized generally around persons rather than units of land and where personal history was generally used prior to 1962. The conferees stipulated that no language in the bill agreed upon could be deemed to deny the Secretary authority to make State allocations with respect to cane sugar as well as to beet sugar.

5. Places limitations on direct-consumption sugar substantially similar to those in the House bill. This would limit the direct-consumption sugar that may be entered from foreign countries other than the Republic of the Philippines to the average entries during the years 1957–59 of such sugar from countries which receive a proration of 20,000 tons or less. No direct-consumption imports would be permitted from countries, other than the Philippines, with quotas of more than 20,000 tons. Provides that replacement supplies of sugar authorized for importation in lieu of quotas of countries not in diplomatic relations with the United States, such as Cuba, shall be in raw sugar so long as raw sugar is reasonably available from all authorized sources combined. If the Secretary finds that raw sugar is not reasonably available, he may authorize the purchase of direct-consumption sugar as required.

6. Provides that a deficit in the quota or proration for any domestic area or foreign country would be prorated, in accordance with their basic quotas or prorations, to quota countries with which the United States maintains diplomatic relations and which are able to fill such deficit. If these countries cannot fill all of such deficit, the remainder would be apportioned by the Secretary to nonquota countries with which we are in diplomatic relations.

7. Provides that any nation or political subdivision thereof which hereafter unlawfully expropriates American-owned property or otherwise seriously discriminates against such property and fails to take remedial action within a reasonable time will have its quota, proration, or authorization to import sugar suspended. Further provides that if the President, in his discretion, finds that any nation discriminates against U.S. citizens in its sugar program, he shall suspend the quota or other authorization of such nation.

8. Provides that quotas apply to the sugar content of any sugar-containing product or mixture which does not have a recent history of importation unless the Secretary finds that importation will not substantially interfere with attainment of the objectives of the act. The Secretary may also apply quotas to the sugar content of any sugar-containing product or mixture that has a history of importation in recent years if he finds that importation of the product or mixture will substantially interfere with attainment of the objectives of the act.

9. Sets up a small liquid sugar quota to permit the importation of sirup of cane juice of the type of Barbados molasses and eliminates other liquid sugar quotas.

10. Prohibits the importation into the Virgin Islands of any sugar not produced in domestic areas and only sugar produced in the Virgin Islands would be eligible to be brought into the continental United States within the quota for the Virgin Islands.

The House conferees reluctantly receded on the provision which provided for a refund of approximately $22 million to the Government of the Dominican Republic, including the South Puerto Rico Sugar Co., an American-owned company. The conferees agreed that while the claim was meritorious the refund of the amount involved should not be authorized in this bill, but might very well be appropriately considered in separate legislation.

HAROLD D. COOLEY,
W. R. POAGE,
PAUL C. JONES,
DANIEL K. INOUYE,
CHARLES B. HOEVEN,
CLIFFORD G. MCINTIRE,
CHARLES M. TEAGUE,
Managers on the Part of the House.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. TALMADGE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection——

Mr. KEATING. Mr. President, I object.

The PRESIDING OFFICER. Objection is heard; and the clerk will resume the call of the roll.

The legislative clerk resumed and concluded the call of the roll, and the following Senators answered to their names:

[No. 107 Leg.]

Aiken	Fong	Mundt
Anderson	Fulbright	Muskie
Bartlett	Gore	Neuberger
Bennett	Hartke	Prouty
Bible	Hayden	Proxmire
Boggs	Hickenlooper	Randolph
Bush	Hickey	Robertson
Butler	Hill	Russell
Byrd, Va.	Holland	Scott
Byrd, W. Va.	Humphrey	Smathers
Capehart	Jackson	Smith, Mass.
Carroll	Javits	Smith, Maine
Case	Johnston	Sparkman
Church	Keating	Stennis
Clark	Long, Hawaii	Symington
Cooper	Long, La.	Talmadge
Cotton	McCarthy	Thurmond
Curtis	McClellan	Tower
Dirksen	McGee	Williams, N.J.
Douglas	Metcalf	Williams, Del.
Dworshak	Monroney	Young, N. Dak.
Ellender	Morse	Young, Ohio
Ervin	Moss	

The PRESIDING OFFICER. A quorum is present.

The question is on agreeing to that portion of the committee amendment which would insert a section 3, beginning on page 2, line 15, and ending on page 3, line 10.

Mr. DOUGLAS. Mr. President, this is another amendment which comes to the Senate without a public hearing having been held upon it. It was decided upon in executive session after a very brief statement on Wednesday by the Senator from Utah [Mr. BENNETT] and very brief consideration yesterday by those members of the committee who were present.

The pending amendment, the amendment which the Senate rejected a short while ago, and the amendment which will follow, in my judgment, would seriously weaken the Renegotiation Act.

The pending amendment would provide that there could be no renegotiation of profits on articles of a so-called "standard commercial nature" which are leased to the Government. Leasing has become a greater and greater practice since it was started many years ago by the United Shoe Machinery Co. That company used leasing as a method of maintaining a monopoly. It would not sell its machinery.

Leasing has been carried on very extensively by the International Business Machines Corp., which has leased to the Government a very wide variety of electronic data processing machinery and punchcard machinery. The Government is paying rents, not prices, for this equipment.

The figures which I have gathered indicate that for data processing and punchcard machinery and equipment the Government last year paid no less than $225 million. I think it is most conservative to say that the Government is spending at least $500 million annually for leased equipment.

Mr. MONRONEY. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield to the Senator from Oklahoma.

Mr. MONRONEY. I am quite impressed by what the distinguished Senator says about data processing and punchcard machinery and equipment.

A great deal of the ever-expanding air traffic control system equipment sooner or later will be monitored by machines such as those.

While those machines might take the terminology of ordinary commercial items, is it not a fact that once one starts to use the data processing or punchcard machines for records and cards by the millions, a lease for 2 or 3 machines becomes absolutely necessary? In order for the records and cards to be operative, only that particular type of standard commercial machine can be used. The Government then becomes completely and totally locked in, at the mercy of whatever contract for lease can be made.

If we should exempt these machines from renegotiation, to provide a monopoly with respect to them, all the departments which have work of this nature could not depart from use of organized installations of this type of machine, on a nationwide basis; and would that not be a severe handicap for the Government?

Mr. DOUGLAS. I thank the Senator from Oklahoma.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. DOUGLAS. First I wish to answer the Senator from Oklahoma.

I thank the Senator from Oklahoma. I am not an expert on electronic data processing machines, but from what I understand of them the Senator is correct. Once an organization starts using a system it is almost impossible to shift to another system or to another contractor.

Mr. BENNETT. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield to the Senator from Utah.

Mr. BENNETT. Is it not true that for an article to qualify as a "standard commercial article" and to be subject to the exemption, the amendment provides that at least 35 percent of the identical article must have been leased or sold outside the Government?

Mr. DOUGLAS. Or under nonnegotiable terms.

Mr. BENNETT. Or under nonnegotiable terms.

Mr. DOUGLAS. The Senator is correct.

Mr. BENNETT. Most of the data processing equipment to which the Senator from Oklahoma has referred is specifically engineered for particular jobs. The figures to which the Senator from Illinois referred at least include the special equipment which has been developed, which would not qualify. I doubt very much whether all the IBM machinery could qualify as a "standard commercial article," because most of it is engineered for a specific application and a specific customer.

We have discussed this question long enough. It is obvious to me that the Senator from Illinois does not like the amendment. I suggest that the question be brought to a vote.

Mr. DOUGLAS. Mr. President, may I finish my address without being shut off by the Senator from Utah? I had not finished my remarks when I yielded to the Senator.

Mr. BENNETT. Did I attempt to shut the Senator off?

Mr. DOUGLAS. If the Senator did, he will not be successful. But I am ready to believe that was not his intention.

I think it is evident that there are many complexities in regard to this question, and that we should at least have a public hearing upon it, and invite expert witnesses to testify, so that adequate evidence may be taken. The question should not be decided on the basis of ex parte arguments. It may be that if an adequate hearing is held the Senator from Utah will be proved to be correct, although I do not believe this will be the case.

We certainly do not have sufficient evidence at present to indicate that he is correct. It seems to me very wise, therefore, that we should not rush this amendment through when the act has operated for 11 years without that provision.

In the day that I have had available to study the matter, I have collected some evidence on what the rates of profit have been on certain equipment which has been leased. I should like to state that material for the benefit of Senators who were not present when I originally spoke.

Let us consider case A, in which there was a rental of microfilming equipment. The rental price was $75,270. The profit was $31,511. The profit rate was 42 percent.

I ask the Senate to consider case B, in which the rentals amounted to $261,453. The profit amounted to $142,603. The profit rate was 54 percent.

In a third case, which we shall call case C, the rental income amounted to $1,191,203, the gross profit came to $802,156, or a profit rate of 67.3 percent.

I emphasize that this rate is a gross profit rate and not necessarily a net profit rate. It indicates, however, a very high rate of profit.

In a fourth case, which we might call case D, machinery rentals in 1951, 1952, and 1953 paid by the Government to the company amounted to $36,000, $57,000, and $59,000, respectively, with a corresponding profit of $26,000, $50,000, and $50,000, or a profit rate of 72 percent, 87.6 percent, and 84.1 percent.

I have had only a few hours in which to collect that information, but I submit that this information is sufficient to indicate that if those items were exempt from renegotiation, as the Senator from Utah would do, we would compel the taxpayers in those instances at least, to pay

excessive profits to those concerns which, because of patents or prestige, are able to obtain excessively high lease prices from the Government.

I see no advantage in the proposal of the Senator from Utah.

I think it is extremely dangerous.

Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield.

Mr. GORE. If an agency installs, even in a limited way, a particular brand of data processing electronic equipment and later finds need to augment greatly the application of that particular process, is not that particular brand of equipment, because of the preparation of the punch card and the system almost locked into the system?

Mr. DOUGLAS. I think both the Senator from Tennessee [Mr. GORE] and the Senator from Oklahoma [Mr. MONRONEY] are correct on that point, not only with respect to the technique of the machine, but in the training of the personnel. The whole staff is geared to that particular type of machine.

Mr. CAPEHART. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the committee amendment concerning section 3. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from North Dakota [Mr. BURDICK], the Senator from Nevada [Mr. CANNON], the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from California [Mr. ENGLE], the Senator from Michigan [Mr. HART], the Senator from North Carolina [Mr. JORDAN], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Oklahoma [Mr. KERR], the Senator from Ohio [Mr. LAUSCHE], the Senator from Washington [Mr. MAGNUSON], the Senator from Montana [Mr. MANSFIELD], the Senator from Michigan [Mr. MCNAMARA], the Senator from Rhode Island [Mr. PASTORE], the Senator from Rhode Island [Mr. PELL], the Senator from Georgia [Mr. RUSSELL], and the Senator from Texas [Mr. YARBOROUGH] are absent on official business.

I further announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from Alaska [Mr. GRUENING], and the Senator from Missouri [Mr. LONG] are necessarily absent.

I further announce that, if present and voting, the Senator from North Dakota [Mr. BURDICK], the Senator from Nevada [Mr. CANNON], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from California [Mr. ENGLE], the Senator from Alaska [Mr. GRUENING], the Senator from Michigan [Mr. HART], the Senator from North Carolina [Mr. JORDAN], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Oklahoma [Mr. KERR], the Senator from Ohio [Mr. LAUSCHE], the Senator from Missouri [Mr. LONG], the Senator from Washington [Mr. MAGNUSON], the Senator from Montana [Mr. MANSFIELD], the Senator from Michigan [Mr. MCNAMARA], the Senator from Rhode Island [Mr. PASTORE], the Senator from Rhode Island [Mr. PELL], the Senator from Georgia [Mr. RUSSELL], and the Senator from Texas [Mr. YARBOROUGH] would each vote "nay."

Mr. DIRKSEN. I announce that the Senator from Maryland [Mr. BEALL], the Senators from Kansas [Mr. CARLSON and Mr. PEARSON], the Senator from Arizona [Mr. GOLDWATER], the Senator from Nebraska [Mr. HRUSKA], the Senator from California [Mr. KUCHEL], the Senator from Kentucky [Mr. MORTON], and the Senator from New Hampshire [Mr. MURPHY] are necessarily absent.

The Senator from Iowa [Mr. MILLER], the Senator from Massachusetts [Mr. SALTONSTALL], and the Senator from Wisconsin [Mr. WILEY] are also necessarily absent.

The Senator from Colorado [Mr. ALLOTT] and the Senator from Kentucky [Mr. COOPER] are detained on official business.

If present and voting, the Senator from Colorado [Mr. ALLOTT], the Senator from Maryland [Mr. BEALL], the Senator from Kansas [Mr. CARLSON], the Senator from Nebraska [Mr. HRUSKA], the Senator from California [Mr. KUCHEL], the Senator from Iowa [Mr. MILLER], the Senator from New Hampshire [Mr. MURPHY], the Senator from Massachusetts [Mr. SALTONSTALL], and the Senator from Wisconsin [Mr. WILEY] would each vote "yea."

The result was announced—yeas 28, nays 38, as follows:

[No. 108 Leg.]

YEAS—28

Aiken	Dworshak	Scott
Bennett	Ellender	Smathers
Boggs	Fong	Smith, Maine
Bush	Hickenlooper	Talmadge
Butler	Holland	Thurmond
Byrd, Va.	Keating	Tower
Capehart	Long, La.	Williams, Del.
Cotton	Mundt	Young, N. Dak.
Curtis	Prouty	
Dirksen	Robertson	

NAYS—38

Anderson	Hayden	Morse
Bartlett	Hickey	Moss
Bible	Hill	Muskie
Byrd, W. Va.	Humphrey	Neuberger
Carroll	Jackson	Proxmire
Case	Javits	Randolph
Church	Johnston	Smith, Mass.
Clark	Long, Hawaii	Sparkman
Douglas	McCarthy	Stennis
Ervin	McClellan	Symington
Fulbright	McGee	Williams, N.J.
Gore	Metcalf	Young, Ohio
Hartke	Monroney	

NOT VOTING—33

Allott	Gruening	McNamara
Beall	Hart	Miller
Burdick	Hruska	Morton
Cannon	Jordan	Murphy
Carlson	Kefauver	Pastore
Chavez	Kerr	Pearson
Cooper	Kuchel	Pell
Dodd	Lausche	Russell
Eastland	Long, Mo.	Saltonstall
Engle	Magnuson	Wiley
Goldwater	Mansfied	Yarborough

So the committee amendment was rejected.

Mr. DOUGLAS. Mr. President, I move that the Senate reconsider the vote by which the amendment was rejected.

Mr. HUMPHREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HUMPHREY. Mr. President, in order that the Senate may have some idea of how much longer the bill will be under consideration, I have consulted with the Senator from Indiana [Mr. HARTKE], who will speak in opposition to one other section of the bill which is in the nature of a committee amendment. I ask unanimous consent that the debate on that section of the bill be limited to 15 minutes to a side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

ORDER OF BUSINESS

Mr. DIRKSEN. Mr. President, now that the Senate has disposed of the conference report on the export control bill, I understand that probably the only thing which might call the Senate back into session tomorrow is the possibility of an agreement on the so-called sugar bill conference report. I should like to inquire what the majority leader has in mind for the remainder of the evening, especially in view of the fact that the House has adjourned.

Mr. HUMPHREY. Mr. President, there is a possibility that the conferees on the sugar bill may complete their work this evening, probably soon. If that were to happen, I hope the Senate might act first on the conference report. I understand the House will be in session tomorrow.

I have also been told by the Acting Secretary of State, Mr. Ball, that if immediate action were not taken on the sugar bill conference report, there would be no problem so far as the Government is concerned; there would be no danger of a mass movement of sugar into the American market under terms other than the Sugar Act. Therefore, it would be my intention to have the Senate go over until Monday noon. But I shall reserve a decision on that point for awhile until we know what action the conference committee has taken. It is possible that the Senate might consider the conference report on the sugar bill tonight.

Mr. DIRKSEN. What is the program for the rest of the day?

Mr. HUMPHREY. It is proposed to take up three minor bills which have been cleared with the leadership on both

sides of the aisle. They are relatively noncontroversial, since no minority views were filed with respect to them. They are:

Calendar No. 1628, H.R. 8045, to change the name of the Hydrographic Office to U.S. Naval Oceanographic Office;

Calendar No. 1629, H.R. 8982, authorizing the Dow Chemical Co. to construct, maintain, and operate a bridge across the Rio Grande at or near Heath Crossing, Tex.; and

Calendar No. 1630, calendar H.R. 9883, to authorize the San Benito International Bridge Co. to construct, maintain, and operate a toll bridge across the Rio Grande near Los Indios, Tex.

The first bill has been cleared by the Committee on Armed Services; the remaining two bills have been cleared by the Committee on Foreign Relations.

Also, we shall take up the conference report on the supplemental air carrier bill.

Mr. HICKENLOOPER. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. I yield.

Mr. HICKENLOOPER. The bridge bills provide for the construction of bridges across the Rio Grande River, Tex., do they not?

Mr. HUMPHREY. Yes.

Mr. HICKENLOOPER. Do they contain amendments to place limitations on the franchises?

Mr. HUMPHREY. Yes.

Mr. HICKENLOOPER. One bill provides for a perpetual franchise, with no limitation.

Mr. HUMPHREY. The committee limited the franchises.

Mr. HICKENLOOPER. If those amendments have been adopted by the committee, as I understand is the case, I shall raise no objection.

Mr. HUMPHREY. The amendments have been adopted by the committee.

Mr. HICKENLOOPER. I have no objection, so long as the franchises contain the standard limitations.

Mr. HUMPHREY. The only other item is the conference report on supplemental air carriers, which it is proposed to take up immediately.

The Senate will reconvene on Monday, at noon, and take up the so-called medicare amendment, which the Senator from New Mexico has proposed to the Social Security Act.

Mr. DIRKSEN. I take it that the program which the Senator has outlined is contingent on agreement by the conferees to the conference report on the sugar bill.

Mr. HUMPHREY. That is correct. If the conferees agree to a report on the sugar bill, it is hoped to act on the conference report tonight. If they should agree tonight, and the House were to act tomorrow, I would propose a session tomorrow to act on the conference report on the sugar bill.

Mr. DIRKSEN. I suggest that there be a quorum call if and when it appears that action may be taken on the sugar bill conference report.

Mr. HUMPHREY. I shall certainly have a quorum call, and no action will be taken without consultation with the minority leader.

SUPPLEMENTAL AIR CARRIERS—CONFERENCE REPORT

Mr. MONRONEY. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the amendment of the House to the bill (S. 1969) to amend the Federal Aviation Act of 1958, as amended, to provide for supplemental air carriers, and for other purposes. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER (Mr. METCALF in the chair). The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of June 28, 1962, pp. 11239–11241, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. MONRONEY. Mr. President, this is a unanimous report of the conferees of both the House and the Senate on the supplemental air carrier bill.

I regret to have to report to the Senate that the bill as agreed upon in conference departs quite substantially from the economic provisions which the Senate has endorsed on two occasions in passing this bill. The conference report contemplates a supplemental air carrier industry much more limited in terms of its role in air transportation than that which was envisaged by the committee and endorsed by the Senate.

The conference report adopts the provisions of the House bill limiting the permanent role of these carriers to charter service. The Senate bill had provided that the board might issue certificates to these carriers permitting them to engage in individually ticketed operations as might be required by public convenience and necessity, but required the board to impose such limitations on certificates as are necessary to insure that individually ticketed operations did not result in a significant diversion of traffic from the regularly certificated route carriers.

This amendment was included by reason of the diligence of the distinguished Senator from New Hampshire [Mr. COTTON].

I am convinced that the provisions of the Senate bill would have produced a stronger supplemental industry, one better able to serve the needs of the Nation in both peace and war. However, it became apparent that the only way legislation could be obtained was by accepting the House provision limiting these carriers to charter operations. The Senate conferees therefore agreed to the provisions of the House bill provided the House agreed to an amendment making temporary provision for limited individually ticketed service by supplemental carriers for a period of 2 years from the date of passage of the act. The Senate conferees felt that such a provision was essential because many supplemental carriers had derived a significant proportion of their revenues from individually ticketed operations. We did not believe that it was reasonable to expect that such carriers could immediately convert to an all-charter operation and still survive.

Section 9 of the bill as agreed to in conference provides that the Civil Aeronautics Board may, if it finds such authorization to be in the public interest to permit an orderly transition to all-charter operations, authorize a supplemental carrier to perform individually ticketed and individually way-billed services for a 2-year period subject to such terms, conditions, and limitations as the board may prescribe. This authority is subject to the restriction that the annual gross revenue from individually ticketed services may not exceed the average annual gross revenue from such services which a carrier derived during a 3-year period ending December 31, 1961. It is not the intention of the conferees that the authority of supplemental carriers to perform individually ticketed services be further restricted by the Board in the absence of some special circumstances requiring it. As a general rule, it is intended that these carriers be permitted to perform individually ticketed services provided that the revenues therefrom do not exceed the statutory maximum. Some discretion should be allowed in order to give the carriers a fair opportunity to adjust their operations to an all-charter authority.

The charter definition contained in the Senate version of the bill was omitted from the bill agreed to by the conferees. This was done unilaterally by the Senate conferees because of the decision which had been made on individually ticketed authority. The charter definition would have operated to prohibit the granting of split charters—that is, the transportation of more than one charter group in a single aircraft. We felt that the Board should be left free to determine on its merits the desirability of permitting the supplemental carriers to conduct such charters, in view of the fact that the charter business will ultimately represent the only source of revenue for these carriers. Another reason why we desired to leave the Board sufficient flexibility so that it might permit split charters was the effort of the Defense Department to encourage these carriers to acquire modern turbine-powered equipment for the civil reserve air fleet. The size of such aircraft makes it virtually impossible to find a charter group sufficiently large to fill an entire aircraft.

In contrast to the economic provisions of the bill, I am happy to report that the essential objectives of the Senate provisions with respect to minimum service requirements, standards of financial fitness, liability insurance, performance bonds, and the filing of reports, were retained in the substitute agreed to. However, the substitute agreed to is in several respects more strict, and certain language clarifications of the Senate provisions were adopted in order to provide more efficient and expeditious administrative enforcement.

Mr. President, this bill is a far cry from that which the Senate committee recommended and which the Senate passed. However, I am convinced that its advantages far outweigh its disad-

vantages. It should give the supplemental air carriers a permanent place in the aviation community and permit the Board to restrict its membership to carriers whose managements have demonstrated their willingness and ability to conduct safe operations in accordance with the Board's regulations. This industry deserves an opportunity to grow and develop as a national transportation asset, and this can only come when we put an end to the uncertainty as to its legal status through which it has suffered for so many years.

Mr. President, I ask unanimous consent to have printed in the RECORD, following my remarks, a statement by the distinguished junior Senator from California [Mr. ENGLE] explaining in full the Engle amendment.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR ENGLE

Section 3 of S. 1969 would amend section 401(e) of the Federal Aviation Act so as to provide that any carrier other than a supplemental carrier may make charter trips without regard to the type of service provided in its certificate of public convenience and authority. This amendment is designed to and does grant to cargo carriers the same authority to perform charter service as the passenger carriers now enjoy. Upon amendment of section 401(e) all common carriers will have the same authority to perform charters for passengers and for cargo. The cargo carriers are merely placed upon the same legal basis as the passenger carriers for their charter operation and they will become subject to the same regulations of the Board governing other common carriers.

Section 401(e) as presently worded has been interpreted to limit the authority of cargo carriers so as to preclude them from providing charters for passengers. The Civil Aeronautics Board, recognizing the necessity in the public interest of charters for passengers by cargo carriers, has granted, under section 416 of the Federal Aviation Act, exemptions to cargo carriers to authorize cargo carriers to perform passenger charter services, particularly for the Military Establishment. The committee of conference has roundly denounced the Board's excessive use of its exemption power in connection with large-scale charter operations generally. The bill before us is designed to deal generally with the problem thus posed. The amendment of section 401(e) deals specifically with the elimination of the need for exemptions pursuant to which cargo carriers perform charters for the carriage of passengers.

Authority for cargo carriers to provide passenger charters is vitally needed in the public interest and for national defense. These cargo carriers have provided the major civil augmentation airlift for the Military Air Transport Service for both cargo and passengers. Since 1957 the Appropriations, Armed Services and other Committees of the Congress and the Department of Defense have recognized the great contribution to the national defense by the cargo carriers.

These committees of the Congress and the Department of Defense have urged the civil air carriers to procure modern cargo aircraft, convertible to military passenger traffic, for assignment to the Civil Reserve Air Fleet, in order that the deficit in our national wartime air cargo capability may be overcome. In response to the wishes of the Congress and the Department of Defense the cargo carriers have purchased and assigned to the Civil Reserve Air Fleet more modern convertible cargo aircraft than all other air carriers combined. These carriers have already purchased 21 modern turbine-powered convertible cargo aircraft at a capital cost in excess of $100 million. These aircraft are all committed to the Civil Reserve Air Fleet. Practically all of them now delivered are engaged in traffic for MATS—many in the transportation of passengers.

It is imperative, if these aircraft are to be continued in operation and are to be available to MATS, that these cargo carriers be given the statutory authority to perform passenger charter service which is provided by the bill here before us.

Against heavy odds, the cargo carriers are building an air cargo industry for the United States, without Government subsidy. Their ability to develop this new business and to create new fleets of modern aircraft has been made possible in the main by their charter activities. Without the amendment to section 401(e) of the Federal Aviation Act which is included in the bill before you, the cargo carriers would be the only carriers who would not be permitted to perform both cargo and passenger operations without applying to the CAB for exemptions. This bill as reported by the committee of conference will correct this situation and will give to the cargo carriers the same authority enjoyed by passenger carriers in providing charter services of all types, no more and no less.

The PRESIDING OFFICER. The question is on agreeing to the report.

Mr. COTTON. Mr. President, the conference agreement, basically does these things:

First. Creates a class of supplemental air carriers whose field of activity will be providing plane-loan charter services.

Second. Permits the CAB to allow supplemental air carriers who have carried passengers on an individually ticketed basis in the past 3 years to continue to do so for 2 more years, to permit an orderly transition to all-charter operations.

Third. Abolishes all present rights of every supplemental air carrier after 90 days, and gives the CAB new power to issue certificates or interim operating authority only to those supplemental air carriers it finds are fit, willing, and able.

Fourth. Gives the CAB broad new powers to safeguard the public against safety and economic abuses which have occasionally manifested themselves with respect to supplemental air carriers.

Frankly, I regard the bill drafted by the conference committee as an improved modification of the measure which passed the Senate earlier this year. It has my wholehearted support, and I urge its adoption.

I do wish to comment briefly on one aspect of the conference committee's action. The conferees agreed to drop the language in the Senate bill which defined charter service, and permitted the sale of tickets on charter flights to individual members of the general public who were on all-expense-paid tours. I am wholly in accord with the action in eliminating the all-expense tour provision and thus refusing to confer this power on the Board.

The elimination from the bill of the general Senate language defining charter service, should not, however, in my view, be construed as giving the Board any kind of carte blanche with respect to long-established principles of law relating to charters. The Civil Aeronautics Board has, in the past, rejected proposals to water down the safeguards against the abuse of charter service, and I hope the board will continue to be firm in this respect. The board has a serious obligation to see that charter services do not become individually ticketed services through subterfuge or abuse.

Passage of this legislation, in my view, marks another constructive step in the evolution of this Nation's air transportation services.

I wish to add my tribute, Mr. President, to the distinguished Senator from Oklahoma [Mr. MONRONEY], who has long and painstakingly guided this bill through perhaps the most tiring and laborious conference committee that I have ever served on in my 8 years in the House of Representatives and my 8 years in the Senate. He has been patient, firm, fair, and reasonable; and to him goes much of the credit for our coming up with what I regard—and I am sure all the Members of the Senate conferees and all the members of the Commerce Committee's subcommittee also regard it in the same way—as a step forward and a highly constructive piece of legislation.

Mr. SCOTT. Mr. President, will the Senator from New Hampshire yield?

Mr. COTTON. I am very happy to yield.

Mr. SCOTT. I should like to echo what the Senator from New Hampshire has said regarding the difficulties encountered in working out the conference committee report, and also what he has said about the extremely capable, patient, and efficient manner in which the Senator from Oklahoma [Mr. MONRONEY], and, let me say, also the Senator from New Hampshire [Mr. COTTON], have worked in preparing this measure. The many difficulties which were encountered have been overcome, it seems to me, in such a way as to give us a much more satisfactory solution, which should lead to wiser handling of the entire problem relative to the nonscheduled airlines.

Mr. President, the conference report before us marks the end, we hope, of a long series of controversies about the role of the supplemental air carrier in our national air transport picture. The bill establishes a permanent place in air transportation for supplemental carriers, or nonskeds, as they were formerly called, by authorizing them to perform charter flights.

But the bill does much more than just find a proper place for the supplemental air carriers. Its additional features, in a large measure, go back to a windy fall evening last November. On November 8, 1961, an Imperial Airlines Constellation crashed while trying to make an emergency landing at Richmond, Va. On board were 74 Army recruits from Wilkes-Barre, Pa.; Newark, N.J.; and Baltimore, Md., on their way to Fort Jackson, at Columbia, S.C. All were killed by the fire which swept the plane after it crashed. The accident properly shocked the Nation, and set in motion a long chain of events, some of which come to a culmination in this legislation.

As modified and revised by the Senate Commerce Committee and by the con-

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aged, and Sen. Anderson inserted a summary, "Significant Improvements in Anderson Bill (S. 909) Made by Anderson Amendment to Welfare Bill (H. R. 10606)". pp. 11414-6, 11416-21, 11434-7

20. INSPECTION; RESEARCH. Passed as reported H. R. 8982, to authorize the construction of a bridge across the Rio Grande at or near Heath Crossing, Tex. p.11432
Passed as reported H. R. 9883, to authorize construction of a toll bridge across the Rio Grande near Los Indios, Tex. pp. 11432-3

21. PERSONNEL. Sen. Long, Hawaii, inserted a resolution of the Legislature of American Samoa commending Nathan Koenig, AMS, for "his fine services to our government and our people." p. 11437

22. LEGISLATIVE PROGRAM. Sen. Humphrey stated that the conference report on the sugar bill will be considered on Mon. pp. 11424-5

23. ADJOURNED until Mon., July 2. p. 11439

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24. SUGAR. Agreed to the conference report on H. R. 12154, to amend and extend the provisions of the Sugar Act of 1948 (pp. 11493-501). For a summary of the provisions of this bill as reported by conference committee see item 1 of this Digest.

25. HAY; CONSERVATION RESERVE. Passed without amendment S. 3062, to amend the Soil Bank Act so as to authorize the Secretary of Agriculture to permit the harvesting of hay on conservation reserve acreage in order to alleviate damage, hardship, or suffering caused by severe drought, flood, or other natural disaster (p. 11501). This bill will now be sent to the President.

26. TOBACCO. Passed as reported S. J. Res. 201, to amend section 316 of the Agricultural Adjustment Act of 1938, to provide that tobacco lease transfers shall be effective if agreed upon prior to the normal planting time in the county or June 15, 1962, whichever is earlier, and the terms of the lease are filed in writing in the county office in which the farms involved are located within twenty days of the date of the enactment of this bill. p. 11501

27. EXPORT CONTROL. Agreed to the conference report on S. 3161, to provide for continuation until June 30, 1965, of authority for regulation of exports (pp. 11490-3). This bill will now be sent to the President.

28. CONTRACTS. Concurred in Senate amendments to H. R. 12061, to extend for two years, until June 30, 1964, the Renegotiation Act of 1951 (pp. 11501-3). This bill will now be sent to the President.

29. INSPECTION; RESEARCH. Concurred in Senate amendments to H. R. 8982, to authorize construction of a bridge across the Rio Grande at or near Heath Crossing, Tex., and H. R. 9883, to authorize construction of a toll bridge across the Rio Grande near Los Indios, Tex. (p. 11503). These bills will now be sent to the President.

30. LAND-GRANT COLLEGES. Rep. Kastenmeier commended the work of the land-grant colleges on their 100th anniversary. pp. 11510-11

31. LEGISLATIVE PROGRAM. Rep. Albert announced that the Private and Consent Calendars would be called on Monday and that it was hoped that the House would complete the legislative business for the week and not program any legislation

for the balance of the week. Stated that unanimous consent would be asked to go over on adjournment until Thursday, and thence until the following Monday, July 9, p. 11503

32. ADJOURNED until Monday., July 2, p. 11514

ITEMS IN APPENDIX

33. RECLAMATION. Extension of remarks of Rep. Chenoweth inserting a copy of the report of the Committee on Irrigation and Reclamation to the National Rivers and Harbors Congress. pp. A4941-3
Extension of remarks of Rep. Albert inserting an address by Rep. McCormack before the Rivers and Harbors Congress. pp. A5025-6

34. RECREATION. Extension of remarks of Rep. Aspinall inserting a speech by Edward C. Crafts, director of the new Bureau of Outdoor Recreation, "The Bureau of Outdoor Recreation--Declarations of Intent." pp. A4944-5

35. PERSONNEL. Extension of remarks of Rep. Buckley inserting his statement favoring a salary increase for Federal employees. p. A4949

36. SCHOOL LUNCH. Extension of remarks of Rep. Carey inserting an article, "Church-State Debate: Fair Federal Aid for Lunch." p. A4959
Extension of remarks of Rep. Lane inserting a statement of the operation of the school lunch program in the 7th Congressional District, Mass. p. A4980

37. BUDGET. Extension of remarks of Sen. Byrd inserting an article, "New Federal Budget Ideas Only Hide Facts of Debt, Deficits, Will Not Aid Economy." pp. A4983-4

38. LUMBER INDUSTRY. Speech in the House by Rep. Hansen during debate on the trade expansion bill as to the position of the lumber industry. pp. A4992-3

39. LAND-GRANT COLLEGES. Extension of remarks of Rep. Watts saluting the land-grant colleges and universities upon the occasion of the 100th anniversary of the signing of the Morrill Act. pp. A4994-5
Extension of remarks of Sen. Randolph paying tribute to the land-grant colleges and inserting an article discussing their contributions. pp. A4996-7

40. TOBACCO. Extension of remarks of Rep. Sikes reporting on progress on efforts to produce in Florida the cigar wrapper tobacco, an industry for which we were formerly dependent on Cuba. pp. A5013-4

41. WILDERNESS. Extension of remarks of Rep. Lindsay inserting an article, "Critic At Large: Misuse of the National Timber Reserves Points Up Need for Wilderness Bill." pp. A5044-5

42. FARM PROGRAM. Extension of remarks of Rep. Dole inserting an article "concerning the tactics employed by Secretary of Agriculture Freeman and his cohorts in attempts to pressure Members of the House into voting for the administration farm bill." p. A4948
Extension of remarks of Rep. Breeding inserting a telegram sent to the Secretary by several Kansas farm organizations in support of the defeated farm bill. p. A 4990
Extension of remarks of Rep. Michel inserting an article, "Try Again On Farm Bill, Mr. President." p. A5027

moval of controls in favor of increased trade with the Soviet bloc.

Recently, too, there have been reports that State Department planner, Walt W. Rostow, has a new proposal whereby through unrestricted trade we will bring about friendship with the Soviets. In other words, Mr. Speaker, I am fearful that the administration may decide to embark on a program which would help the Communist bloc build up its economy and I think that could have very serious implications. That is why I supported the Kitchin amendment, because I felt it important that economic impact factors in the cold war not be overlooked.

I have had in mind that recently in the other body an amendment was adopted 57 to 24 to bar U.S. aid to any Communist country. The administration brought great pressure to reverse this action and on the following day by a vote of 56 to 34 this bar was declared not to include shipments of food under Public Law 480. The administration has made it clear that it wants a free hand in dealing with trade policy with the Communists.

In 1959 Premier Khrushchev in an article in Foreign Affairs magazine called for more trade between the Soviet Union and the United States stating:

> If both sides want to improve relations, all barriers in international trade must be removed.

In other words Khrushchev in his design to build up the Soviet economy wants barriers such as the Export Control Act to be eliminated. I believe that Secretary Ball and the others in the administration favor such an elimination of barriers. Dr. Rostow, for example, is said to have a belief that we could bring about friendly relations with the Soviets through trade and thereby get Russia to join us in a nuclear test ban. He is said to believe that the United States should do away with all controls and many of the liberal advisers of the President are said to agree with him.

However, Mr. Speaker, I do not agree. I believe that we should strengthen export controls. I think that the United States should prevent Communist bloc countries from using our technical data, our engineering know-how and our machines and commodities to build up their economic and military potential.

However, to revert to the conference report before the House today.

I was glad indeed that before the issue came to the House, by a vote of 44 to 33, the other body recommitted the conference report with the result that subsequently a new agreement was worked out to which the Senate has agreed.

The compromise language calls for denial of exports to any nation or combination of nations threatening our security if the President determines that such exports would contribute significantly to their economic or military potential.

The Kitchin amendment required the President to find that exports would not so contribute before an export license could be issued.

The language as agreed on is much weaker and I am not at all happy about the compromise. I judge the gentleman from North Carolina is not pleased either, but he has agreed to go along and that is about all we can do. Certainly, Mr. Speaker, this new version is better than a straight extension.

Mr. Speaker, I seem to see the fine hand of the State Department in this watering down of this bill. At least I know it will gratify some of our advocates of free trade with the Communists.

Anyway the other body has agreed to the conference report and the House has little in the way of an alternative other than to follow suit.

As for me, Mr. Speaker, I suppose I should be thankful for small mercies. In fact I am thankful that this is not a simple extension. Certainly Congress has spelled out its intent and I hope our internationally minded planners do not ignore what we have written into this law.

Mr. PATMAN. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

SUGAR ACT AMENDMENTS OF 1962

Mr. COOLEY. Mr. Speaker, I call up the conference report on the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

Mr. GROSS. Mr. Speaker, reserving the right to object, I assume the gentleman from North Carolina [Mr. COOLEY] plans to take ample time to explain what transpired in the conference?

Mr. COOLEY. If the gentleman will yield; yes.

Mr. GROSS. I thank the gentleman.

Mr. Speaker, I withdraw my reservation.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of June 29, 1962.)

Mr. COOLEY (interrupting the reading of the statement). Mr. Speaker, I ask unanimous consent that further reading of the statement be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. COOLEY. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, this conference report that is now being submitted to the House meets the approval of all the House conferees and all of the Senate conferees except one. We had long conferences and discussed all the provisions of the two bills at great length.

The Senate, as all Members know, brought out a bill which was substantially the administration's bill. The bill which the House passed was a bill written in the House Committee on Agriculture.

Mr. Speaker, the bill as developed by our Committee on Agriculture and approved by the House allocated 9,700,000 tons of sugar and based the participation in our sugar market on country-by-country quotas. I point out to the House that of the more than 2 million tons allocated by the committee on this country-by-country basis, changes affecting only 135,000 tons of these allocations were made in the conference, as the House conferees resisted the efforts of the other body to open all this tonnage for foreign suppliers, except the Philippines, on a catch-as-catch-can global quota system. This clearly indicates that the House committee made the allocations, in the bill it presented to the House, in a fair and reasonable fashion.

At one time we could be safe and sure that we would have an adequate supply of sugar at all times because Cuba, which was 90 miles off the coast of Key West, always had an adequate supply available to this market. Actually Cuba delivered to this market at prices below world prices during World War II, the Korean conflict, and again in 1957. Now we no longer have Cuba and we have to look to other places for our supplies.

Our committee very diligently and carefully went over the whole world sugar situation country by country. We gave preference to the Western Hemisphere countries and made what we considered reasonable and adequate allotments for many of the Western Hemisphere countries which had not heretofore participated in this program but our chief concern was to secure adequate and assured sugar supplies, diversified supplies, for U.S. consumers. So, having voted down, in our committee unanimously, the proposal for world quotas and having voted unanimously against the recapture of premiums, we set about to make these allocations as fairly and as equitably as we possibly could, taking into consideration the location and proximity of nations.

We found that it was necessary for us to go out of the Western Hemisphere for some of our sugar because we were told by the Director of the Sugar Branch that we could not rely safely upon the Western Hemisphere for adequate supplies of sugar at all times. That accounts for some of these allocations to countries outside of the Western Hemisphere.

In the conference the committee representing the Senate held out for the Senate position and the House conferees unanimously stood adamant against world quotas. But knowing we would have to have a sugar program and that without a sugar program chaos would prevail in our domestic sugar market we did make concessions. We told the conferees to begin with that we would not capitulate but we would compromise and compose our differences and discuss each of these quotas on the merits involved.

As the upshot of a long discussion we finally did agree to let the Cuban quota which we had fixed at 1,500,000 tons be

placed on a global quota basis; that is, our executive branch of the Government may acquire that sugar anywhere on earth it decides to acquire it, if it can find the sugar and if exporters are willing to sell to us at world prices. Even this portion of the bill requires that preference will be given to Western Hemisphere countries and friendly countries in this hemisphere.

After making that concession we reduced some of the quotas in the House bill so as to pick up another 135,000 tons, which we added to the Cuban fallback of 1,500,000. So we now have 1,635,000 on a global quota basis. All of the rest of it is on a nation-to-nation allocation.

Then we had another thing to decide. In the Senate they provided for a 20-percent annual phaseout of the sugar premiums which means that 20 percent each year would be accumulated, and at the end of 5 years you would have no foreign quotas and sugar program, in my opinion.

You would have prices in our market the same as prices on the world market, and there would be no inducement for anyone to sell in this market.

The strange thing about it is that the Senate emphasized constantly that they wanted to do something for Cuba, they wanted to save something for Cuba so when Cuba comes back into the family of free nations the economy of Cuba could enjoy the benefit of our premium market which they have enjoyed in past years. But the bill adopted by the Senate saved nothing for Cuba. By recapturing at the cumulative rate of 20 percent a year, any difference between the world market price and our price at the end of 5 years, Cuba and all others would be at world market prices and therefore their quotas would be worthless. They can sell anywhere for these prices.

At this point, Mr. Speaker, I would like to make a prediction. I predict that the executive branch is not going to buy the 1,635,000 tons of sugar in the Cuban drawback at world market prices and that, in fact, it has no intention of doing so. It will offer to buy this sugar at just a little above the world market price, so that the United States will still be an attractive market for homeless sugar.

If this happens, there will be intense competition for import permits to ship this sugar into the United States—even if it only means a few hundred dollars more per boatload than shipping it to some other country. If there are import applications covering more sugar than there is in our global quota, someone is going to have to decide who gets import permits and who goes without them.

Under these circumstances, who is going to allocate this 1,635,000 tons of sugar? Not the 437 elected Members of the House of Representatives and the 100 elected Members of the Senate, but a handful of appointed employees in the executive branch of the Government.

Mr. KEARNS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Pennsylvania.

Mr. KEARNS. I think you have done a remarkable job in this situation. I am particularly interested in whether we are going to recognize Castro and whether we are going to take care of the Dominican Republic. I just walked over here this morning with Senator CARLSON. I know what they did in the Senate. I think you did a good job. But how are we going to explain to the people of the United States of America this situation?

Mr. COOLEY. This bill?

Mr. KEARNS. Yes.

Mr. COOLEY. I will tell you how you can explain it to them.

Mr. KEARNS. I would like to have a letter you would dictate. It would be valuable to have.

Mr. COOLEY. All right, I will dictate one to you right now. Here is the explanation.

Our domestic producers cannot possibly compete with foreign sources in the production of sugar. We have the highest cost production right here in the Hawaiian Islands and Puerto Rico and our domestic beet and cane areas. Without the program, the housewife might say, "All right, we will get this sugar on the world market at world prices, therefore we will have cheaper sugar." That is not true.

Mr. WILLIS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Louisiana.

Mr. WILLIS. The gentleman was asking how he was going to explain to his constituents about this bill vis-a-vis Castro and the reservation of the Cuban quota.

Mr. COOLEY. We are reserving the Cuban quota, for that time when Cuba returns to the family of free nations. There is not one pound of quota in the bill for Castro Cuba. Cuba had a quota of 3,200,000 tons before Castro came into power. We have taken that 3,200,000 tons and set aside 1,635,000 tons which we say we are saving for free Cuba. The other is given to domestic producers of both cane and beets and to these foreign countries which are enumerated in this report.

Mr. HARRIS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Arkansas.

Mr. HARRIS. The gentleman has referred to the fact that in the conference report 1,635,000 tons were set aside for Cuba. Is that right?

Mr. COOLEY. It is being held for Cuba.

Mr. HARRIS. But not now.

Mr. COOLEY. No.

Mr. HARRIS. What the gentleman means is that if and when Castro is overthrown and Cuba comes back into the free world there will be this amount that will be allocated to Cuba, but nothing goes to Cuba now?

Mr. COOLEY. Nothing now goes to Cuba. Not a pound goes to Cuba, but the administration is authorized to acquire that quantity elsewhere on a year-to-year basis.

Mr. KEARNS. I think the gentleman from Arkansas [Mr. HARRIS] asked you the question I wanted to know. If you were writing me a letter how to answer labor problems or education, I would refer to the distinguished gentleman, my chairman, and say, this is my opinion. Now how do we write to define our position against Castro on the sugar bill?

Mr. COOLEY. How do we explain our position?

Mr. KEARNS. Define our position.

Mr. COOLEY. Well, we just do not give Castro any sugar.

Mr. KEARNS. All right.

Mr. COOLEY. We do not give him a pound and we will not give him any.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Iowa.

Mr. GROSS. How do you make the protection contained in this bill square with the free trade bill which was passed earlier this week?

Mr. COOLEY. That is a very good question.

Mr. GROSS. And which the gentleman voted for.

Mr. COOLEY. I said that is a very good question.

The SPEAKER. The time of the gentleman has expired.

Mr. COOLEY. Mr. Speaker, I yield myself 5 additional minutes.

Mr. Speaker, I want to say to my friend, the very purpose of this act is to protect American producers of sugar-beets and sugarcane, and the American consumer, and that has been very well accomplished over a period of 27 years.

Mr. GROSS. Of course, the American consumer is paying twice over the world market for sugar.

Mr. COOLEY. No.

Mr. GROSS. Oh, yes.

Mr. COOLEY. In terms of consumer purchasing power, sugar is cheaper in the United States than in any other country in the world.

Mr. GROSS. The world market in April was less than $2.50 and our price was $6.43.

Mr. COOLEY. I agree with you that the market here is usually above the world market price. It was designed in the original act, so that it would be and give us an assured supply of sugar. In times of great national emergency the world price has gone above the domestic price but because of our quota system our suppliers have continued to ship to us even at a loss compared to world prices.

Mr. GROSS. So today the gentleman becomes a protectionist while earlier this week he was a free trader along with a lot of others.

Mr. BOGGS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. BOGGS. As the gentleman knows, the bill that we passed earlier this week was not a free-trade bill, it was a bill providing for reciprocity. The bill that the gentleman from North Carolina is sponsoring here today is the same kind

of bill to provide reciprocity in the markets of the Western Hemisphere and elsewhere. And, Mr. Speaker, if the gentleman will yield further, I want to point out there is no such thing as a world price of sugar. That is a fictitious thing. This so-called price of sugar applies to no country on earth. Relatively speaking, except for certain tropical countries, we have the cheapest price of sugar of any nation on earth.

Mr. MASON. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. MASON. With reference to this reciprocity business, if I understand what reciprocity means, there has been no reciprocity since 1934 when the reciprocal trade agreements program was adopted. We got the short end of the stick every year since then.

Mr. WICKERSHAM. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman.

Mr. WICKERSHAM. I would like to ask the gentleman, in this conference report, how much new growth is there? How many tons are available for new growers?

Mr. COOLEY. Well, I will discuss that question right now. In our bill we provided 50,000 tons a year for new beet growers, which is a tonnage sufficient to justify the building of one mill. The other body increased that figure to 65,000 tons. We receded and accepted the 65,000-ton figure.

Mr. WICKERSHAM. May I ask at this point, then, if, within the next 2 or 3 or 4 years, would there be any chance or any possibility of a new refinery say in Oklahoma, New Mexico, or Texas, or Kansas?

Mr. COOLEY. I cannot tell you where any new refinery may be built. We did not fix the location of the mills. Nobody can be sure of that. All we did was set aside a certain tonnage in the bill and for new areas—65,000 tons a year. We increased the domestic participation in the growth in sugar consumption from 55 to 65 percent. Now, for the benefit of those who are interested in refineries, I would like to say the position of the House in regard to refined sugar did prevail.

We have stricken out 375,000 tons of refined sugar coming in from Cuba.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. GROSS. Is there still a quota from Mauritius?

Mr. COOLEY. No. It will be pleasing to the gentleman to know that there is not. I would like to take a minute on Mauritius. Mauritius is an island out in the Indian Ocean, a far-distant place from here.

Mr. GROSS. East of Madagascar.

Mr. COOLEY. Yes; somewhere east of Madagascar, but it is an important spot in the sugar world. Representatives of all the sugar-producing areas of the world will meet in Mauritius for the annual international sugar conference this fall.

Mr. GROSS. They have a nice climate down there.

Mr. COOLEY. That is probably true. I have never been there. They also have a production and potential production on this little island of 600,000 tons of sugar a year. They consume less than 30,000 tons on the island. They are capable of exporting almost 600,000 tons.

The SPEAKER. The time of the gentleman from North Carolina has expired.

Mr. COOLEY. Mr. Speaker, I yield myself 5 additional minutes.

The population is about half the size of the District of Columbia. The area is slightly larger than my home county. But it is an important little island and a reliable source of supply. We gave them only 10,000 tons, more or less a hardship relief proposition, but there was so much fuss raised about Mauritius we just had to recede. The conference bill does not give Mauritius anything.

I hope Mauritius will get something out of the other part of the program.

Mr. GROSS. How about Ireland?

Mr. COOLEY. You mean that green little island across the Irish Sea? Yes, that is in.

Mr. GROSS. Ireland is in?

Mr. COOLEY. We did not name it, but it is right in here. In the general language there is 10,000 tons unallotted.

Mr. GROSS. This is a sugar-short nation, is it not?

Mr. COOLEY. But it is in the bill.

Mr. GROSS. One final question, is the other body doing anything about this conference report today?

Mr. COOLEY. They will meet Monday, and we are assured that they will act by Monday noon.

Mr. GROSS. Then this act expires at midnight tonight.

Mr. COOLEY. That is right.

Mr. GROSS. Why does not the other body meet and take care of it today? Can the gentleman explain why they should not act today and this act be continued?

Mr. COOLEY. We were told by the administrator that we could go on for a few days without a program.

Mr. GROSS. Then why are we dealing with it here today?

Mr. COOLEY. The Senate will be in a position to pass it Monday morning and very little sugar can be taken out between Saturday and Monday afternoon. I want to see this bill enacted today.

Mr. ABERNETHY. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. ABERNETHY. The House, under the rules of procedure, has to act first, the bill originating in the House, so we have to act on it today.

Mr. GROSS. Even though it is passed by the House today, it will not become law until the other body agrees to it also.

Mr. COOLEY. It will not. The Sugar Act will expire. That means we will be without a program.

Mr. GROSS. So the sugar people can get their sugar out of the warehouses until the new law is enacted.

Mr. COOLEY. That is right. I will amplify my statement for the RECORD, Mr. Speaker, regarding Ireland. I have a prepared statement.

Mr. Speaker, one of the delightful subjects in the Senate bill—along with many features which the House conferees did not consider so pleasant—was a provision for the purchase of up to 10,000 tons of sugar from that gem of the eastern Atlantic, sometimes referred to as the Emerald Isle, which annually has for export a small amount of sugar. It is true that Ireland is not mentioned specifically in the Senate bill but on page 3 of the conference report, subparagraph (c) authorizes the purchase from "foreign countries not enumerated" in the foreign quota section of up to 10,000 tons of sugar per year. It was stated in the Senate that this language was intended to permit the importation of 10,000 tons of sugar per year from Ireland and it was the clear and avowed intention of the committee of conference that this authorization should be retained in the bill.

Now, as everyone knows, sugarcane does not grow in Ireland and all of the Irish sugar production is beet sugar, which comes out of the mill in crystal form ready to use, just as our own beet sugar does.

On page 6 of the conference report in subparagraph (2) is a limitation on the importation of refined sugar into the United States which says:

> The proration or allocation established for each foreign country of 20,000 short tons, raw value, or less under section 202(c)(3) may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959.

Since Ireland did not import any sugar into the United States during those years, it might appear at first that this provision would prevent the carrying out of the provision, with respect to Ireland, adopted by the conference and set out on page 3, to which I have previously referred. However, a closer look at the language makes it clear that there is no conflict in these two provisions. The subparagraph on page 6 refers only to "the proration or allocation established for each foreign country" under section 202(c)(3). No proration or allocation is established for Ireland under the provisions of that section, but the purchase of some sugar from Ireland is left discretionary with the Secretary of Agriculture. The provision giving the Secretary this authority states that each foreign country to which an allocation is made under the provision of that authority "shall be permitted to import into the continental United States the amount of sugar allocated by the Secretary."

Thus it is quite clear that, since the provision as just referred to is absolutely mandatory in character, and since the provision on page 6 relating to refined sugar applies only to countries specifically named in the previous section of the bill, the legislation does permit, as the conference intended, the importation of this quantity of refined sugar annually from Ireland.

I would like to say another thing; we include a quota for the British West Indies. This quota embraces all the territories that are members of the BWI Sugar Association. This includes British Guiana.

And let me mention the Dominican Republic. We very reluctantly gave up the idea of a refund of $22 million which was taken away from the Dominican people and the companies which exported sugar to the United States. The Senate recognized the claim, but they did not think it should be included in this bill; so we receded, and it was stricken out.

Mr. BREEDING. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. BREEDING. Is there any provision in this new bill which says that these countries selling us sugar must spend a great portion of that money for agricultural products in our country, such as wheat?

Mr. COOLEY. No, unfortunately that is not in here, but it is clearly understood by the House and I am sure by the Senate that we reserve the right to reallocate these quotas and that when we do we will take a hard look at such transactions.

If the program is not being administered advantageously for the sale of our agricultural commodities, we will do what we can to improve the situation. We will be watching.

Mr. DOLE. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Kansas.

Mr. DOLE. There is an amendment adopted in the Senate bill that does apply to the global portion of the program giving preference to those countries who will buy our commodities?

Mr. COOLEY. That is true. In this part of the program we must leave it up to the administration to carry out what they know to be the views of Congress, and that is that we should give special consideration and preference to the countries that are purchasing our commodities.

Mr. INOUYE. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Hawaii.

Mr. INOUYE. Mr. Speaker, is it not true that in the years 1942, 1943, 1944, 1945, 1947, 1951, and 1957, because of the Sugar Act, the United States was able to buy sugar at less than the world market price?

Mr. COOLEY. That is correct.

Mr. INOUYE. Is it not true, as far as our housewives are concerned, we spend less for sugar than all other countries?

Mr. COOLEY. Less than any other country?

Mr. INOUYE. Yes.

Mr. COOLEY. I think that is correct.

Mr. BOGGS. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Louisiana.

Mr. BOGGS. The gentleman from Hawaii has made a very significant statement. As a matter of fact, in World War I, when we had no sugar act, when we were operating under the old tariff system, we had practically no sugar in the United States, and the price went up to 25 and 30 cents a pound. In World War II we had a Sugar Act and the price did not advance at all.

Mr. COOLEY. Yes.

Mr. JOHANSEN. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Michigan.

Mr. JOHANSEN. Was Ireland included in the sugar quotas prior to this bill?

Mr. COOLEY. No.

Mr. JOHANSEN. Can the gentleman give us a little more detailed explanation for the inclusion of Ireland?

Mr. COOLEY. Well, it was in the Senate bill, and we had to make some concession, and we thought that was one concession we could justify making. Ireland exports about 15,000 tons of sugar a year.

Mr. JOHANSEN. Apparently we have not been able to get one concession out of the other body. If the legislation does not expire at midnight, I am wondering why we are here today.

Mr. COOLEY. I thought last night the Senate would be in session, but the leadership decided to let it go over until Monday.

Mr. BRUCE. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentleman from Indiana.

Mr. BRUCE. I notice on page 3 of the report a reference to the assignment of exports from Hong Kong. Can the gentleman tell me the source of the sugar that will be coming from Hong Kong?

Mr. COOLEY. No, unfortunately I cannot tell the gentleman what the source would be. Hong Kong, for some reason or other, has been in the Sugar Act from the very beginning. It has a small allocation of 3 tons.

Mr. BRUCE. Is there any chance that this sugar would be coming out of Red China?

Mr. COOLEY. Of course we hope not. I do not know whether it will be coming out of Red China or not. It is not supposed to come out of Red China.

Mr. BRUCE. I thank the gentleman.

The SPEAKER. The time of the gentleman from North Carolina has expired.

Mr. COOLEY. Mr. Speaker, I yield 5 minutes to the gentleman from Maine [Mr. McINTIRE].

Mr. McINTIRE. Mr. Speaker, the chairman of the Committee on Agriculture has given quite an extensive explanation of this bill, but I thought it appropriate that the minority conferees join with him in support of this conference report. This conference report, if one looks at it from the standpoint of the domestic producer, is a more favorable report than the bill the House passed. We have moved the domestic producer's share of the annual growth from 63 percent up to 65 percent. That may not seem too significant but it is a figure which the domestic producers felt was more equitable.

There was also a provision in both the House and Senate bills by which there would be set aside a fixed amount which would be available to establish new areas and new mills for refining new production.

The House bill carried this reservation at 50,000 tons a year. In the conference report we took the Senate figure of 65,000 tons.

Now, the House bill, as the chairman has indicated, was a bill by which we allocated every pound of sugar to a list of countries on a permanent basis, which included the Cuban allocation.

CALL OF THE HOUSE

Mr. JOHANSEN. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 140]

Abbitt	Fogarty	Moorhead, Pa.
Addonizio	Frazier	Morse
Alford	Frelinghuysen	Moss
Alger	Garland	Moulder
Anfuso	Gathings	Multer
Arends	Gilbert	Nelsen
Ashbrook	Glenn	Nygaard
Aspinall	Goodell	O'Brien, Ill.
Bailey	Green, Pa.	O'Brien, N.Y.
Barrett	Griffin	Philbin
Bass, N.H.	Griffiths	Pilcher
Bass, Tenn.	Halleck	Poage
Bates	Harrison, Va.	Poff
Becker	Hays	Powell
Betts	Healey	Rains
Blatnik	Herlong	Randall
Blitch	Hoeven	Reece
Boland	Hoffman, Mich.	Reuss
Bolton	Horan	Rhodes, Pa.
Bonner	Hosmer	Riehlman
Boykin	Ichord, Mo.	Riley
Bromwell	Jennings	Rivers, Alaska
Broyhill	Johnson, Calif.	Rivers, S.C.
Buckley	Johnson, Md.	Rogers, Tex.
Burke, Ky.	Jones, Ala.	Rousselot
Byrnes, Wis.	Judd	St. Germain
Carey	Kelly	Santangelo
Casey	Keogh	Saund
Celler	Kilburn	Saylor
Chamberlain	Kirwan	Schadeberg
Chenoweth	Kornegay	Scranton
Coad	Kowalski	Seely-Brown
Colmer	Kyl	Shelley
Cook	Laird	Sheppard
Corman	Landrum	Sisk
Cramer	Latta	Slack
Curtis, Mass.	Loser	Smith, Miss.
Curtis, Mo.	McCulloch	Smith, Va.
Davis, James C.	McSween	Spence
	McVey	Stratton
Davis, Tenn.	MacGregor	Thompson, La.
Derounian	Madden	Thompson, N.J.
Derwinski	Mahon	Tollefson
Dingell	Mailliard	Ullman
Donohue	Martin, Mass.	Van Zandt
Edmondson	Matthews	Walter
Ellsworth	May	Whalley
Evins	Miller, George P.	Whitener
Farbstein		Wilson, Calif.
Fino	Miller, N.Y.	Yates
Fisher	Montoya	Zelenko
Flood	Moore	

The SPEAKER pro tempore (Mr. MILLS). On this rollcall 283 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

SUGAR ACT AMENDMENTS OF 1962

The SPEAKER pro tempore. When the point of order of no quorum was made, the gentleman from Maine had 4 minutes remaining. The gentleman is recognized.

Mr. JONAS. Mr. Speaker, will the gentleman yield?

Mr. McINTIRE. I yield to the gentleman.

Mr. JONAS. I was interested in the colloquy between the gentleman from Iowa and my colleague from North Carolina, the chairman of the committee, on the question of how this bill can be squared with the free trade bill the House passed last Thursday. Would you say this is a protectionist bill?

Mr. McINTIRE. I would reply to the gentleman from North Carolina that this bill has within it a global concept which in its actual day-to-day operations means the setting of an import fee which will be equal to the difference between the world price and the domestic price of sugar in this country. If I have any distinct understanding of a protection device, this fits my definition.

Mr. JONAS. I understood the chairman of the committee to state in his remarks that if it were not for this bill, the domestic producers of sugar would be driven out of business by foreign competition.

Mr. McINTIRE. In my opinion, the domestic producers of sugar cannot compete as producers of sugar at present world prices.

Mr. JONAS. I am going to vote for the conference report because I am in favor of protecting the domestic producers of sugar from being driven out of business by unfair competition just as I was in favor of protecting the textile workers in my section of the country from being driven out of their jobs by unfair competition from low cost goods produced abroad and shipped into this country and sold in many instances under the cost of production here. I wish the proponents of this legislation had shown equal interest in the plight of industrial workers who will be thrown out of work when the trade bill becomes effective.

Mr. McINTIRE. May I say to the gentleman from North Carolina that his position and mine are similar in relation to the comment he has just made.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. McINTIRE. I am happy to yield to the gentleman.

Mr. GROSS. I just heard the gentleman use the words "world market." The gentleman is convinced contrary to what the gentleman from Louisiana [Mr. BOGGS] says—the gentleman is convinced that there is a world price, a world market and a world price for sugar; is he not?

Mr. McINTIRE. The term which is used as "world price" is a price which actually reflects the cost of sugar which is, in fact, distress sugar—it represents a very limited amount of sugar which is available out of the total supply. But it comes as close to being a world price as any other term that might be used. But it is, in fact, not a price that reflects the worldwide cost of sugar. It is a price on a limited amount of sugar.

Mr. HARVEY of Indiana. Mr. Speaker, will the gentleman yield?

Mr. McINTIRE. I yield to the gentleman.

Mr. HARVEY of Indiana. I note in the report, although our chairman stated there would be no quotas established as such, that a set of quotas is published and the statement is made, I believe, to quote from the report, it is recommended that such a quota be adhered to. That is on page 14 of the conference report, by assigning quotas on approximately the following basis. Would the gentleman be kind enough to inform the House as to what effect he thinks this statement in the conference report will have on the administrator?

Mr. McINTIRE. Without any question, at least from my understanding of this conference report and the supporting legislation, we have established quotas here. The Senate bill had quotas established in it. They listed the same provisions that are in existing law. The House bill had a much extended list of quotas. We are presenting here in this conference report a list of nations classified as having quotas. However, I would add that we are also placing in this law a means by which the fees are adjusted under the global concept on the basis of 10 percent each year for the 3 years of the act.

My understanding is that we do have permanent quotas listed in this bill.

Mr. HARVEY of Indiana. I thank the gentleman. I would only comment in passing that I feel Congress needs to adhere to and follow very closely our concept of how this should be done, for we have evidence that in the past the wishes of Congress were flagrantly disobeyed and disregarded, and it was done in open defiance of the intent of Congress.

Mr. McINTIRE. I thank the gentleman.

Mr. DEVINE. Mr. Speaker, will the gentleman yield?

Mr. McINTIRE. I yield.

Mr. DEVINE. Thus far we have been unable to get a satisfactory explanation for the inclusion of a 10,000-ton allocation for Ireland. It is my understanding that the trade people in Ireland are unable to produce enough sugar for their domestic consumption. I would ask the gentleman if the conferees during the conference offered any justification or explanation for including this fine country under such circumstances.

Mr. McINTIRE. May I advise the gentleman from Ohio that in going around the world to purchase sugar last year we did purchase some sugar from Ireland. The provision was in the Senate bill. The House receded to the Senate and placed the same provision in this bill.

I would like to close my remarks with just one observation. In this bill we have made provision which, in my opinion, protects the employment in the refining plants along our coastal areas. This was a serious problem in the early development of the bill, but this bill does provide protection for the employees in these processing plants.

I would also say, as I have said before, that in my opinion this conference bill is more favorable to the domestic sugar industry, than the House bill but in my opinion the domesitc industry, both cane and beet, want to examine very closely the global quota concept as it is in operation over the next few years. This is a major departure from legislation in previous sugar bills. This departure is very, very major. It could have very interesting and perhaps rather serious developments, and I think it should be examined as we go along to make sure that these changes are constructive for our domestic industry.

Mr. COOLEY. Mr. Speaker, I yield such time as he may desire to the gentleman from Florida [Mr. SIKES].

(Mr. SIKES asked and was given permission to revise and extend his remarks.)

Mr. SIKES. Mr. Speaker, the conference report on the sugar bill is a definite improvement over the Senate version of the bill. I believe it would have been a serious mistake to adopt in toto the Senate bill. I am particularly pleased that in the conference report the increased domestic quota is protected and the assignment of quotas to our friends in Latin America also is preserved.

U.S. producers are in excellent position to take advantage of the opportunity for production of additional quantities of sugar for the domestic market. This is one of the healthiest aspects of the bill. It will provide a definite stimulus to the American economy.

The scope of the measure we are approving today will be of substantial benefit to the Alliance for Progress. Had we adopted the Senate version of the sugar bill, it would have had the effect of launching a ship and immediately thereafter scuttling it. The Alliance for Progress is a newly launched enterprise now being tested for seaworthiness. The sugar bill provides an effective indication of the determination of the United States to favor the nations of our own hemisphere.

Possibly it was not generally known here, but consternation has twice prevailed in Latin America during the consideration of the sugar bill; once when an ill-advised official of the State Department announced that certain nations would not receive a quota under the administration version of the bill, and again when the Senate threw out the House bill and substituted the measure which would have given the State Department the authority to administer the measure and assign quotas. Meetings have been held with the State Department Secretariat by ambassadors of Latin America to convey firsthand their dismay and concern over these developments. The conference version of the bill, by retaining these important factors of the House bill, will do much to restore confidence.

Many thousands of new growers and producers and workers will benefit directly in the United States and in the Western Hemisphere through this bill. Millions of dollars will be invested by private enterprise and initiative in modernization, new equipment, higher wages, and in schools, hospitals, highways—even wells in villages—as a result of this bill. And, finally, the bill

shows concern for the pocketbooks of the American housewife and the American taxpayer. The conference report should be adopted.

Mr. COOLEY. Mr. Speaker, I yield such time as he may desire to the gentleman from Hawaii [Mr. INOUYE].

(Mr. INOUYE asked and was given permission to revise and extend his remarks.)

Mr. INOUYE. Mr. Speaker, I notice that in the conference report at the bottom of page 3 and the top of page 4, in the language providing for the handling of the quota which is withdrawn from Cuba, the phrase appears "and a quantity of sugar not to exceed an amount equal to proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countires."

Mr. Speaker, this language does not carry out the intention of the committee of conference. The conferees discussed this particular language and it was understood that the language of the House bill would be used at this particular point instead of the language of the Senate bill. The House bill reads "a quantity of sugar equal to the proration or allocation which would have been made but for the provisions of this paragraph, shall be authorized for purchase and importation from foreign countries."

However, in the settlement of the big issues before the conference, and one of the big issues was the manner in which the Cuban drawback is to be purchased, it was agreed that the House would accept in general the provisions of the Senate bill. Since those provisions are involved in this paragraph 4 in which the language as just quoted appears, in its final action the conference staff simply lifted paragraph 4 from the Senate bill, without using the House language in this particular phrase which had previously been agreed upon.

It was the intention of the committee of conference that the Secretary should have no discretion in this matter; that when a quota has been withdrawn from Cuba, or from any other country, there shall be an obligation on the part of the Secretary to replace all of such quota with sugar from other countries.

This intent is properly stated in the statement on the part of the House on page 14 of the conference report where it says:

> While the United States and Cuba are not in diplomatic relations the amount of this Cuban reserve will—

And I repeat will—

> be purchased from any countries with which we are in diplomatic relations.

This is clearly the proper interpretation of this language in the bill and leaves the Secretary no discretion in this matter.

Mr. Speaker, prior to the issuance of this statement, I conferred with the chairman of our committee, the gentleman from North Carolina [Mr. COOLEY], and the distinguished senior member of the minority, the gentleman from Maine [Mr. MCINTIRE], and these gentlemen have assured me of their concurrence in this statement.

In closing, Mr. Speaker, all members of the House conference committee, I am certain, will join with me in commending the House conference staff members for their superb job in preparing this report. Our special gratitude should be extended to our faithful and tireless staff members, Mr. John Heimberger, Mr. Hyde Murray, and Mrs. Christine Gallagher.

Mr. COOLEY. Mr. Speaker, I yield 3 minutes to the gentleman from Minnesota [Mr. QUIE].

(Mr. QUIE asked and was given permission to revise and extend his remarks.)

Mr. QUIE. Mr. Speaker, I want to commend the conferees on reaching this agreement because it comes very closely in line with the substitute I offered in the Committee on Agriculture. At that time I indicated I favored global quotas. When we secure the Cuban quota on a global quotas basis, it will leave the sugar quota intact to be purchased from Cuba in the event the country ever overthrows Castro.

It also provides for a reduction in the permanent quota that was not in the House bill, which I think is good and was in my substitute. It gives preference to the Western Hemisphere and to the countries that will buy agricultural commodities from the United States. I do not agree we should give some of these countries permanent quotas for the first time, British West Indies, French West Indies, Australia, India, South Africa, the Fiji Islands, and also the Netherlands which had a quota prior to the enactment of this extension.

I want to ask the chairman of the committee a question. According to the provision on page 4 of the committee report, subsection (e), if a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless in both the preceding and current calendar years its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar.

From a table we had in a report on the bill when it came to the House, it was shown that the Netherlands is importing more sugar than they are exporting to countries other than the United States, in which case they will not be permitted to send the 10,000 tons to the United States; is that correct?

Mr. COOLEY. If I understand the gentleman correctly, I think he has stated the situation accurately. I may say to the gentleman the Netherlands has participated in this program for years. There was a small allocation of 4,000 tons, and we increased it to 10,000 tons.

Mr. QUIE. Under that section, if it is found more sugar is being imported into the Netherlands than they are exporting to countries other than the United States, they will not be able to fulfill the 10,000-ton quota?

Mr. COOLEY. I think that is correct. I might say that some comment was made regarding Ireland and why Ireland was included. I looked at the record here, and it is indicated that Ireland has exported in the last 3 years an average of 15,000 tons. Under those circumstances they are receiving 10,000 tons.

Mr. QUIE. Take Ireland in the table on page 10 of the House Report No. 1829 on H.R. 12154. If they are importing more than 15,000 tons over exports to other countries, then they, too, would not be able to sell us the 10,000 tons which was spoken of earlier.

Mr. COOLEY. I think that is correct.

Mr. QUIE. Also in your quota to "other countries" amounting to 11,332 tons, Canada, the United Kingdom, and Belgium are included, and those countries definitely are importing more sugar than they are exporting to countries other than the United States, and for that reason they would not be able to sell to the United States any of the quota that is given to them; is that correct?

Mr. COOLEY. You left out Hong Kong. I think Hong Kong is in the same category.

Mr. QUIE. Yes.

Mr. COOLEY. If the actual facts show they are in violation of the sugar quota brought in, then the gentleman's interpretation is correct, and I think it is correct.

Mr. QUIE. I thank the gentleman.

Mr. COOLEY. Mr. Speaker, I yield myself 1 minute.

Mr. HAGEN of California. Mr. Speaker, will the gentleman yield?

Mr. COOLEY. I yield to the gentlemen from California.

Mr. HAGEN of California. Is British Guiana considered part of the British West Indies?

Mr. COOLEY. That is my understanding, yes.

Mr. HAGEN of California. Is there any provisions which would prevent British Guiana getting any part of this? Is it your intention that British Guiana participate in this British West Indies allocation?

Mr. COOLEY. That is correct.

Mr. Speaker, I now yield 2 minutes to the gentleman from Kansas [Mr. DOLE].

(Mr. DOLE asked and was given permission to revise and extend his remarks.)

Mr. DOLE. Mr. Speaker, this bill, that is, the conference version, is a marked improvement, in my opinion, over the measure before the House last week. I should point out that on page 4 of the conference report there appears the following language:

In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the western hemisphere and to those countries purchasing U.S. agricultural commodities.

This language adopted by the other body and offered by the Senator from Kansas [Mr. CARLSON] is self-explanatory and a marked improvement. Also, under the Senate version 65 percent of the market growth will go to domestic beet producers. In my opinion, the global quota provisions are noteworthy and will help eliminate lobbyists and pressure groups. Setting aside 65,000

tons per year for new factories for new growers as provided in the Senate version will mean four plants in 3 years instead of one processing plant per year as provided in the House version.

Mr. BEERMANN. Mr. Speaker, will the gentleman yield?

Mr. DOLE. I yield to the gentleman from Nebraska.

Mr. BEERMANN. I see in the statement on the part of the managers of the House on page 16 the House conferees reluctantly receded on the provision which would have provided for a refund of over $22 million to the Dominican Republic. I do not see that part in the conference report.

Mr. DOLE. I might explain to the gentleman that the House receded from its position on this amendment. The matter is pending in the Court of Claims as I previously pointed out in the committee and on the House floor.

Mr. COOLEY. Mr. Speaker, if the gentleman will yield, of course, the language is not in the conference report because it was deleted in conference. We receded from the language of the Senate. If you will look at page 16, the last paragraph, it just refers to the $22 million as being a matter to be considered under separate legislation.

Mr. DOLE. Certainly elimination of this windfall is another improvement to the bill.

Mr. BEERMANN. It says "might very well be appropriately considered in separate legislation." Since this matter is in the Court of Claims, it ought to be considered under separate legislation, if at all.

Mr. DOLE. Probably many things can be considered in separate legislation.

The SPEAKER. The time of the gentleman from Kansas has expired.

Mr. COOLEY. Mr. Speaker, I yield 2 minutes to the gentleman from North Dakota [Mr. SHORT].

(Mr. SHORT asked and was given permission to revise and extend his remarks.)

Mr. SHORT. Mr. Speaker, as one of those who kicked up quite a little fuss on the floor when we were considering this bill the other day, I want to commend the conferees on the House side particularly for coming back with a conference report that I think is somewhat of an improvement over the bill we passed here a few days ago, because it provides improvement so far as our domestic industry is concerned. This is the thing that I was concerned about the other day, and I want to compliment my chairman on the House Committee on Agriculture for getting this improvement in the bill.

It has been reiterated what has been done for the domestic industry. I will not go into that. I do have some little concern that it is not quite clear what certainly is going to happen under the administration of this new bill in regard to the recapture provision. I have a little bit of concern where we are going to be at the end of 5 years. Are we going to be in the position where we buy all of our foreign sugar in the world market and the domestic industry is going to be in the position of looking like a highly subsidized industry?

Mr. Speaker, I think we have to remember that we have to protect this domestic industry of ours, because it is vital to us; it is vital not only to a large segment of the economy of our country but vital to us as a part of our supplies for this Nation in the event hostilities develop.

Mr. Speaker, I also express a little bit of concern and regret that there was not some provision for the domestic industry to share to some degree in domestic deficits, as has been included in previous legislation. However, in the wisdom of the conferees and in the wisdom of the committees on both sides of the Capitol this was left out. I will have to concede to their better judgment.

I want to say here and now, Mr. Speaker, that I hope this bill will be passed. I intend to vote for it, as I did the other day. I hope there will not be too many Members who vote against the bill because I think with all the peculiarities involved in this sugar legislation, this is about the best we could come up with at this time.

Mr. COOLEY. Mr. Speaker, will the gentleman yield?

Mr. SHORT. I yield to the gentleman from North Carolina.

Mr. COOLEY. On the recapture portion of the bill, I would like to say to the gentleman that the Senate bill provided for recapture at the rate of 20 percent a year for 5 years. That is what they refer to as the phasing out program. That means that at the end of 5 years you have no quota on foreign sugar coming into this country.

We compromised that and fixed it at 10 percent each year for a period of 3 years.

Mr. Speaker, I will remind the gentleman that the foreign quota applications here only run for 2½ years; namely, this year plus 1963 and 1964; at the end of this year we will take a look at this Cuban fallback, and before the end of 1964 we will take a look at all these foreign allocations.

Mr. SHORT. I thank the gentleman from North Carolina for explaining in more detail this most important part of the bill.

Mr. COOLEY. Mr. Speaker, I yield 3 minutes to the gentleman from Oklahoma [Mr. WICKERSHAM].

Mr. WICKERSHAM. Mr. Speaker, first I would like to compliment the committee for at least increasing the amount of acreage and tonnage for domestic growers. I think it should have been at least 150,000 tons. However, I desire to pay tribute to our Senators from Oklahoma, and particularly to pay tribute to my senior Senator from Oklahoma, ROBERT S. KERR, for his work in getting the quotas for domestic growers increased from 50,000 tons, as contained in the House bill, to 65,000 tons.

Mr. Speaker, at this time I should like to ask the gentleman from Missouri [Mr. JONES] who has taken a great interest in the sugar bill and who is familiar with the situation, being on the Committee on Agriculture, if in his opinion, there is sufficient tonnage allocated to new growers to the extent that such States as Kansas, Oklahoma, Texas, and so forth, could get four refineries within the next 3 years?

Mr. JONES of Missouri. May I compliment the gentleman from Oklahoma [Mr. WICKERSHAM], former member of the House Agricultural Committee, for his great interest in the farmers, and for his knowledge of the facts relating to quotas for new growers.

If the gentleman will yield further, I might say that I doubt that there would be four refineries in 3 years; that is too fast.

Mr. WICKERSHAM. Within what period of time?

Mr. JONES of Missouri. Well, this bill provides for a lot more than we would have received under the House bill originally. It is estimated that there will be one factory the first year, one factory the second year, and possibly two factories the third year, and then on a continuing basis, predicated upon the basis of the increases that have been allocated.

Mr. WICKERSHAM. Then, the gentleman thinks within the next 5 or 6 years those States would have the opportunity of getting a refinery?

Mr. JONES of Missouri. If the gentleman will yield further, one of those States, I would say, would get a refinery within the next 3 years.

Mr. WICKERSHAM. I thank the gentleman.

Mr. Speaker, I would like to ask my colleague, the gentleman from Kansas [Mr. BREEDING], a question: I am aware of the position of the gentleman from Kansas, and his interest in farmers. I am also aware of his thorough knowledge of the agricultural situation.

I know of the gentleman's interest in the quota system. I notice that he mentioned the fact that he thought we should require these countries which receive these quotas to, in turn, purchase an equal value in the form of American farm products.

I agree with the gentleman, and I should like for the gentleman to elaborate further upon his idea.

Mr. BREEDING. Mr. Speaker, if the gentleman will yield——

Mr. WICKERSHAM. I yield to the gentleman from Kansas.

Mr. BREEDING. I would like to comment a little bit on the work that the gentleman from Oklahoma [Mr. WICKERSHAM] has done in regard to working out this sugar program, and his efforts to get more sales for agricultural products from our country abroad. I, too, have worked in this program consistently to try to get these purchasing countries to spend a great portion of this money here in our country. I feel it is no more than right that they should. That was the reason for my question of the chairman of the committee, because in the language that went out of the House here a few days ago in this sugar bill we had this wording in there. However, it is not presently contained in the conference report. The gentleman from North Carolina [Mr. COOLEY] says that it will be reviewed annually, and those countries that show that they are spending this money for agricultural products then will be given consideration in the new allocations.

Mr. WICKERSHAM. Mr. Speaker, I agree with the gentleman. I also agree with my colleague from Texas [Mr. ROGERS] in that I think the quota allocated to Cuba that is held in reserve until Cuba returns to the free-world fold should be loaned to the American growers, old and new, to the extent they can continue to grow the additional acreage, until such time that Cuba gets back on the right track, at which time the population will have increased to such an extent that it will never be returned.

Mr. Speaker, at this time I should like to ask the Chairman this question. Since it is so important that the House approve this measure today, June 30, is it not equally important that the other body act today so that no warehouse or individual may be in a position to corner the market on Sunday or Monday? Evidently, it appears that the Senate will not act until Monday afternoon.

Mr. COOLEY. I do not think it could happen on Sunday. I doubt that anything will happen on Monday. Unfortunately, we have no control over the other end of the Capitol.

Mr. WICKERSHAM. I agree with the gentleman; I hope nothing will happen.

Mr. COOLEY. I have been assured that the conference report will be considered in the Senate next Monday.

Mr. WICKERSHAM. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include statements which a farmer—Robert M. Kerr, of Altus, Okla.—and I made before the committee, a letter from the White House, and statements that I made recently in the CONGRESSIONAL RECORD.

The SPEAKER. It there objection to the request of the gentleman from Oklahoma?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. JOHANSEN. Mr. Speaker, will the gentleman yield?

Mr. WICKERSHAM. I yield to the gentleman from Michigan.

Mr. JOHANSEN. In view of the concern expressed by the gentleman from Oklahoma, which I share with respect to the failure of the other body to act, I think that the responsibility for this, if anything goes amiss, will have to be shared by them. And I would like to direct attention to the fact that in the other body the Under Secretary of State, Mr. Ball, was quoted as the authority for giving assurance and guarantee that there would be no injury resulting. In the unfortunate event that there is injury, I should like the record clear as to that statement.

Mr. QUIE. Mr. Speaker, will the gentleman yield?

Mr. WICKERSHAM. I yield to the gentleman from Minnesota.

Mr. QUIE. Mr. Speaker, I should like to say to the gentleman that of the 4 or 5 mills that may be established the gentleman should not expect that they will all be in his part of the country, because I understand they will be allocated on a first come, first served basis. One of these years we expect Minnesota will be in there.

Mr. WICKERSHAM. I am sure that Minnesota and Oklahoma interests will come in from time to time. You may rest assured that Oklahoma will be in there, right alongside the other States.

Mr. COOLEY. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the conference report.

The question was taken; and on a division (demanded by Mr. JOHANSEN) there were—ayes 143, noes 8.

Mr. JOHANSEN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 248, nays 31, not voting 158, as follows:

[Roll No. 141]

YEAS—248

Abernethy	Everett	Lennon
Adair	Evins	Lesinski
Albert	Fascell	Libonati
Alexander	Fenton	Lindsay
Andersen, Minn.	Finnegan	Lipscomb
	Flynt	McDonough
Andrews	Ford	McDowell
Ashmore	Forrester	McFall
Auchincloss	Fountain	McIntire
Avery	Fulton	McMillan
Ayres	Gallagher	Macdonald
Baker	Garmatz	Mack
Baldwin	Gary	Magnuson
Barry	Gavin	Martin, Nebr.
Battin	Giaimo	Mason
Beckworth	Gonzalez	Mathias
Beermann	Goodling	Meader
Belcher	Granahan	Merrow
Bell	Grant	Miller, Clem
Bennett, Fla.	Gray	Milliken
Bennett, Mich.	Green, Oreg.	Mills
Berry	Gross	Minshall
Boggs	Gubser	Moeller
Bow	Hagan, Ga.	Monagan
Brademas	Hagen, Calif.	Moorehead, Ohio
Breeding	Haley	
Brewster	Hall	Morgan
Brooks, Tex.	Halpern	Morrison
Brown	Hansen	Mosher
Burke, Mass.	Harding	Murphy
Burleson	Hardy	Murray
Byrne, Pa.	Harris	Natcher
Cahill	Harrison, Wyo.	Nedzi
Cannon	Harsha	Nix
Cederberg	Harvey, Ind.	Norblad
Chelf	Harvey, Mich.	Norrell
Chiperfield	Henderson	O'Brien, Ill.
Church	Hiestand	O'Hara, Ill.
Clark	Hoffman, Ill.	O'Hara, Mich.
Cohelan	Holifield	Olsen
Collier	Holland	O'Neill
Conte	Huddleston	Osmers
Cooley	Hull	Ostertag
Corbett	Inouye	Passman
Cunningham	Jarman	Patman
Curtin	Jensen	Pelly
Daddario	Joelson	Perkins
Dague	Johnson, Wis.	Peterson
Daniels	Jonas	Pfost
Davis, John W.	Jones, Mo.	Pike
Dawson	Karsten	Pirnie
Dent	Karth	Price
Denton	Kearns	Purcell
Diggs	Kee	Quie
Dole	Keith	Reifel
Dominick	King, Calif.	Rhodes, Ariz.
Dooley	King, N.Y.	Roberts, Ala.
Dowdy	King, Utah	Roberts, Tex.
Downing	Kitchin	Robison
Doyle	Kluczynski	Rodino
Dulski	Knox	Rogers, Colo.
Durno	Kunkel	Rogers, Fla.
Dwyer	Langen	Rooney
Elliott	Lankford	Roosevelt
Rosenthal	Springer	Vinson
Roush	Stafford	Waggonner
Ryan, Mich.	Staggers	Wallhauser
Ryan, N.Y.	Steed	Watts
St. George	Stephens	Weaver
Schenck	Stubblefield	Weis
Scherer	Sullivan	Westland
Schneebeli	Taylor	Wharton
Schweiker	Teague, Calif.	Whitten
Schwengel	Thomas	Wickersham
Scott	Thompson, Tex.	Widnall
Selden	Thornberry	Williams
Shipley	Toll	Willis
Short	Trimble	Wilson, Ind.
Shriver	Tuck	Winstead
Sibal	Tupper	Wright
Sikes	Udall, Morris K.	Younger
Siler	Utt	Zablocki
Smith, Calif.	Vanik	
Smith, Iowa	Van Pelt	

NAYS—31

Anderson, Ill.	Findley	Pucinski
Ashley	Hechler	Ray
Baring	Hemphill	Rostenkowski
Bolling	Johansen	Roudebush
Bray	Kastenmeier	Rutherford
Broomfield	Kilgore	Taber
Bruce	Marshall	Teague, Tex.
Clancy	Michel	Thomson, Wis.
Devine	Morris	Young
Dorn	O'Konski	
Feighan	Pillion	

NOT VOTING—158

Abbitt	Flood	Miller, N.Y.
Addabbo	Fogarty	Montoya
Addonizio	Frazier	Moore
Alford	Frelinghuysen	Moorhead, Pa.
Alger	Friedel	Morse
Anfuso	Garland	Moss
Arends	Gathings	Moulder
Ashbrook	Gilbert	Multer
Aspinall	Glenn	Nelsen
Bailey	Goodell	Nygaard
Barrett	Green, Pa.	O'Brien, N.Y.
Bass, N.H.	Griffin	Philbin
Bass, Tenn.	Griffiths	Pilcher
Bates	Halleck	Poage
Becker	Harrison, Va.	Poff
Betts	Hays	Powell
Blatnik	Healey	Rains
Blitch	Hébert	Randall
Boland	Herlong	Reece
Bolton	Hoeven	Reuss
Bonner	Hoffman, Mich.	Rhodes, Pa.
Boykin	Horan	Riehlman
Bromwell	Hosmer	Riley
Broyhill	Ichord, Mo.	Rivers, Alaska
Buckley	Jennings	Rivers, S.C.
Burke, Ky.	Johnson, Calif.	Rogers, Tex.
Byrnes, Wis.	Johnson, Md.	Rousselot
Carey	Jones, Ala.	St. Germain
Casey	Judd	Santangelo
Celler	Kelly	Saund
Chamberlain	Keogh	Saylor
Chenoweth	Kilburn	Schadeberg
Coad	Kirwan	Scranton
Colmer	Kornegay	Seely-Brown
Cook	Kowalski	Shelley
Corman	Kyl	Sheppard
Cramer	Laird	Sisk
Curtis, Mass.	Landrum	Slack
Curtis, Mo.	Lane	Smith, Miss.
Davis, James C.	Latta	Smith, Va.
	Loser	Spence
Davis, Tenn.	McCulloch	Stratton
Delaney	McSween	Thompson, La.
Derounian	McVey	Thompson, N.J.
Derwinski	MacGregor	Tollefson
Dingell	Madden	Ullman
Donohue	Mahon	Van Zandt
Edmondson	Mailliard	Walter
Ellsworth	Martin, Mass.	Whalley
Fallon	Matthews	Whitener
Farbstein	May	Wilson, Calif.
Fino	Miller, George P.	Yates
Fisher		Zelenko

So the conference report was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Aspinall for, with Mr. Rogers of Texas against.

Mr. Hébert for, with Mr. Mahon against.

Mr. Kirwan for, with Mr. Thompson of New Jersey against.

Mrs. May for, with Mr. Schadeberg against.

Mr. Cramer for, with Mr. Bass of New Hampshire against.
Mr. Keogh for, with Mr. Fogarty against.

Until further notice:

Mr. Buckley with Mr. Alger.
Mr. Alford with Mr. Nygaard.
Mr. Multer with Mr. Martin of Massachusetts.
Mr. Kornegay with Mr. Horan.
Mr. Farbstein with Mr. Moore.
Mr. George P. Miller with Mr. Saylor.
Mr. Addabbo with Mr. Halleck.
Mr. Davis of Tennessee with Mr. Morse.
Mrs. Kelly with Mr. Scranton.
Mr. Flood with Mr. Curtis of Massachusetts.
Mr. Delaney with Mr. MacGregor.
Mr. Walter with Mr. Glenn.
Mr. Zelenko with Mr. Wilson of California.
Mr. Friedel with Mr. Bates.
Mr. Healey with Mr. Arends.
Mr. Philbin with Mr. Hoeven.
Mr. Santangelo with Mr. Judd.
Mr. Donohue with Mr. Byrnes of Wisconsin.
Mr. O'Brien of New York with Mr. Laird.
Mr. Lane with Mr. Betts.
Mr. Powell with Mr. McCulloch.
Mr. Loser with Mr. Griffin.
Mr. Carey with Mr. Miller of New York.
Mr. McSween with Mr. Riehlman.
Mr. Celler with Mr. Whalley.
Mr. Green of Pennsylvania with Mr. Frelinghuysen.
Mr. Gilbert with Mrs. Bolton.
Mr. Barrett with Mr. Chenoweth.
Mr. Stratton with Mr. Nelsen.
Mr. Bailey with Mr. Goodell.
Mr. Anfuso with Mr. Van Zandt.
Mr. Burke of Kentucky with Mr. Poff.
Mr. Bonner with Mr. Bromwell.
Mr. Corman with Mr. Seely-Brown.
Mr. Moss of California with Mr. Fino.
Mr. Harrison of Virginia with Mr. Hosmer.
Mr. Blatnik with Mr. Ashbrook.
Mr. St. Germain with Mrs. Reece.
Mr. Saund with Mr. Derwinski.
Mr. Shelley with Mr. Tollefson.
Mr. Sheppard with Mr. Becker.
Mr. Sisk with Mr. Ellsworth.
Mr. Slack with Mr. Latta.
Mr. Smith of Virginia with Mr. Kilburn.
Mr. Thompson of Louisiana with Mr. Chamberlain.
Mr. Jennings with Mr. Rousselot.
Mr. Madden with Mr. Curtis of Massachusetts.
Mr. Moorhead of Pennsylvania with Mr. Derounian.
Mr. Rains with Mr. Broyhill.
Mr. Reuss with Mr. Kyl.
Mr. Rhodes of Pennsylvania with Mr. Garland.
Mr. Frazier with Mr. McVey.
Mr. Fallon with Mr. Mailliard.
Mr. Colmer with Mr. Hoffman of Michigan.

Mr. MORRIS changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERMIT THE HARVESTING OF HAY

Mr. COOLEY. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 3062) to amend the Soil Bank Act so as to authorize the Secretary of Agriculture to permit the harvesting of hay on conservation reserve acreage under certain conditions.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 107(a)(3) of the Soil Bank Act is amended by changing the period at the end thereof to a comma and adding the following: "and except that the Secretary may, with the approval of the contract signers, permit hay to be removed from such acreage if the Secretary, after certification by the Governor of the State in which such acreage is situated of the need for removal of hay from such acreage, determines that it is necessary to permit removal of hay from such acreage in order to alleviate damage, hardship, or suffering caused by severe drought, flood, or other natural disaster."

Mr. SHORT. Mr. Speaker, the bill under consideration, S. 3062, is identical to legislation introduced in the House by my colleague from North Dakota [Mr. NYGAARD] and myself. Since S. 3062 was passed in the Senate some time ago, in order to expedite granting of this haying authority, the House Committee on Agriculture substituted the Senate bill in its entirety for my bill. This eliminates the necessity for a conference and the bill can go directly to the President for his signature.

This legislation is looked upon with favor by the Department of Agriculture and provides the means of utilizing the land retired under the soil bank program in areas where disaster conditions exist, such as drouth or flood.

If there are any questions, I would be glad to take time to explain this bill further, but since we passed similar authorizing legislation 1 year ago, I believe most of the Members are familiar with its provisions.

[Mr. BATTIN addressed the House. His remarks will appear hereafter in the Appendix.]

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

TOBACCO ACREAGE ALLOTMENTS

Mr. COOLEY. Mr. Speaker, I ask unanimous consent for the immediate consideration of the resolution (S.J. Res. 201) to amend section 316 of the Agricultural Adjustment Act of 1938 to extend the time by which a lease transferring a tobacco acreage allotment may be filed.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

Mr. GROSS. Mr. Speaker, reserving the right to object, this is not the bill that contains the Senate provision dealing with the rotation of agricultural attaches, is it?

Mr. COOLEY. No; I do not think so.

Mr. GROSS. I withdraw my reservation of objection, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the joint resolution, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That section 316 of the Agricultural Adjustment Act of 1938 is amended by adding thereto a new subsection (g) to read:

"(g) Notwithstanding the provisions of subsection (c) relating to the filing of a lease with the county committee, the lease and transfer of an allotment for the 1962 crop year shall be effective if, (1) pursuant to regulations issued by the Secretary, the county committee, with the approval of a representative of the State committee, finds a lease in compliance with the provisions of this section was agreed upon prior to the normal planting time in the county, as determined by the Secretary, or June 15, 1962, whichever is earlier, and (2) the terms of the lease are reduced to writing and filed in the county office in which the farms involved are located within twenty days of the date this subsection becomes law."

With the following committee amendment:

On page 1, line 9, strike out "pursuant to regulations issued by the Secretary, the county committee, with the approval of a representative of the State committee, finds" and insert in lieu thereof "the Secretary finds that".

The committee amendment was agreed to.

The joint resolution was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING THE RENEGOTIATION ACT OF 1951

Mr. MILLS. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 12061) to amend the Renegotiation Act of 1951, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

IN THE SENATE OF THE UNITED STATES,
June 29,1962.

Resolved, That the bill from the House of Representatives (H.R. 12061) entitled "An Act to amend the Renegotiation Act of 1951" do pass with the following amendments:

After line 6, insert:

"SEC. 2. (a) Section 108A of the Renegotiation Act of 1951, as amended (50 U.S.C., App., sec. 1218a), is amended to read as follows:

"'SEC. 108A. REVIEW OF TAX COURT DECISIONS IN RENEGOTIATION CASES.

"'(a) JURISDICTION.—Except as provided in section 1254 of title 28 of the United States Code, the United States Courts of Appeals shall have exclusive jurisdiction to review decisions by the Tax Court of the United States under section 108 of this Act in the same manner and to the same extent as decisions of the district courts in civil actions tried without a jury, except as otherwise provided in this section. In no case shall the question of the existence of excessive profits, or the extent thereof, be reviewed, and findings of fact by the Tax Court shall be conclusive unless such findings are arbitrary or capricious. The judgment of any such court shall be final except that it shall be subject to review, under the limitations herein provided for, by the Supreme Court of the United States upon certiorari, in the manner provided in section 1254 of title 28 of the United States Code.

"'(b) POWERS.—Upon such review, such courts shall have only the power to affirm the decision of the Tax Court or to reverse such decision on questions of law and remand the case for such further action as justice may require, except that such court shall not reverse and remand the case for error of law which is immaterial to the decision of the Tax Court.

"'(c) VENUE OF APPEALS FROM TAX COURT DECISIONS IN RENEGOTIATION CASES.—A decision of the Tax Court of the United States under section 108 of this Act may, to the extent subject to review, be reviewed by—

"'(1) the United States Court of Appeals for the circuit in which is located the office to which the contractor or subcontractor made his Federal income tax return for the taxable year which corresponds to the fiscal year with respect to which such decision of the Tax Court was made, or if no such return was made for such taxable year, then by the United States Court of Appeals for the District of Columbia, or

"'any United States Court of Appeals designated by the Attorney General and the contractor or subcontractor by stipulation in writing.'

"(b) The second sentence of section 108 of such Act is amended to read as follows: 'Upon such filing, such court shall have exclusive jurisdiction, by order, to determine the amount, if any, of such excessive profits received or accrued by the contractor or subcontractor, and such determination shall not be reviewed or redetermined by any court or agency except as provided in section 108A.'

"(c) Section 105(b)(2) of such Act is amended by striking out the last sentence thereof.

"(d) The amendments made by this section shall apply only with respect to cases in which the petition for redetermination is filed with the Tax Court of the United States after the date of the enactment of this Act."

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

Mr. BAKER. Mr. Speaker, reserving the right to object, I ask unanimous consent that the gentleman from Illinois [Mr. MASON] may extend his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. MASON. Mr. Speaker, the bill as it passed the House would extend the Renegotiation Act for a period of 2 years, until June 30, 1964. The amendment as offered by the Senate would allow for appellate review of Tax Court decisions on renegotiation cases. Lack of appellate review has come under sharp criticism by many within the past few years. The chairman has ably explained this change, and I concur with him in his support of it.

Mr. BAKER. Mr. Speaker, further reserving the right to object, a similar amendment was offered in the Committee on Ways and Means and was fully considered.

Mr. Speaker, I favor the amendment adopted by the other body and favor concurrence therein.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. BAKER. I yield to the gentleman from Arkansas.

Mr. MILLS. Mr. Speaker, I had informed the Members of the House that I would explain this amendment.

The House passed some weeks ago this bill continuing the Renegotiation Act for 2 additional years. It was the feeling on the part of the chairman of the committee, at least, and I think shared by some members of the committee, that it would be well for this matter to pass without amendment, particularly in view of the fact that the staff of the Joint Committee on Internal Revenue Taxation had recommended a 2-year extension of the program without amendments.

Mr. Speaker, the Senate Finance Committee, when the bill reached it, added three amendments in that committee. When the matter was considered on the floor of the Senate on yesterday, two of the amendments adopted in the Finance Committee were defeated by the action of the Senate. However, one amendment remained in the bill. This amendment has to do with the review of Tax Court decisions in renegotiation cases.

Mr. Speaker, this legislation's existing authority expires midnight tonight. If the legislation is to be continued without interruption, it will have to be enacted today by the House. Even though we were in this situation, I would not, Mr. Speaker, call this amendment up for approval of my colleagues until I had had an opportunity to discuss it with the Chairman of the Renegotiation Board and until discussions could be had with the Deputy Attorney General. Both the Chairman of the Renegotiation Board and the Deputy Attorney General have reported to us that although they shared my own individual view, that it would be better for this legislation to be extended for 2 years without amendment, that this amendment is workable, though they would have preferred not to have it. It does not impose any unreasonable burdens upon anyone.

The Senate amendment is intended to permit Tax Court decisions in renegotiation cases to be reviewed by the appellate courts in the same manner and to the same extent as its decisions in tax cases—subject, however, to certain important limitations which I will mention shortly. Thus, the Senate amendment provides that Tax Court decisions in renegotiation cases may be reviewed by the U.S. courts of appeals—and by the Supreme Court of the United States upon certiorari—in the same manner and to the same extent as decisions of the district court in civil actions tried without a jury, which is the same scope of review as in tax cases. Under this provision, the appellate courts will be permitted to review Tax Court decisions in renegotiation cases insofar as they involve legal questions, such as whether contract receipts or accruals are exempt from or are subject to the act, whether an expenditure will be allowed as a cost for renegotiation purposes, and on other legal questions involving interpretations and application of the provisions of the Renegotiation Act.

Under the Senate amendment, however, appellate review of Tax Court decisions in renegotiation cases will be subject to certain important limitations. The first limitation is that the question of the existence of excessive profits, or the extent thereof, may not in any case be reviewed by the appellate courts. Another limitation is that findings of fact by the Tax Court are to be conclusive unless they are arbitrary or capricious. Moreover, the powers of the appellate court are limited to affirming the decisions of the Tax Court or to reversing them on questions of law and remanding such cases to the Tax Court. These limitations are all designed to prevent the appellate courts from substituting their judgment for that of the Tax Court on the questions of the existence or extent of excessive profits.

The Senate amendment is prospective in effect only, and will not apply to any case which is now in the Tax Court. It will apply only to cases in which a decision of the Tax Court is rendered after the date of its enactment, and then only if such case is one in which the petition for redetermination is filed with the Tax Court after the date of enactment. This amendment is prospective only in effect, and will apply only to cases decided some time after its enactment. There will be further opportunity for congressional review of its provision should any question airse that would make such review necessary. No inference is to be drawn as to pending cases due to the enactment of this provision.

Mr. Speaker, in view of the fact that this legislation, I think, should be at the President's desk by midnight I am suggesting to my colleagues that we adopt this amendment rather than delay its enactment by following the procedure of going to conference.

Mr. BAKER. Mr. Speaker, the situation has been ably and fully discussed by the chairman of the committee. I concur completely. I think it is a good amendment.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. BAKER. I yield to the gentleman from Iowa.

Mr. GROSS. Apropos the remark of the gentleman that the legislation needs to be passed by midnight, it occurs to me we might very well have spent some time today considering the second supplemental appropriation bill, that we ought to have had this second supplemental appropriation bill before us today, because it is my understanding that in view of the widely traveled Presidential family the expenses have mounted and the Secret Service may not be paid as of after midnight. I should regret very much either to circumscribe the travels of the President's family or to see the Secret Service go unpaid.

Mr. MILLS. Mr. Speaker, I share the gentleman's concern in that regard.

Mr. GROSS. I thank the gentleman. I knew he would.

Mr. MILLS. I am sure the gentleman recognizes that I am not responsible for any delay in that matter but that I am only trying to prevent another such delay here in a matter under the jurisdiction of the Committee on Ways and Means.

Mr. GROSS. Of course, the gentleman, I am sure, would not want to see the Secret Service go unpaid by virtue of

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

(For information only; should not be quoted or cited)

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For actions of July 2, 1962
87th-2d, No. 111

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HIGHLIGHTS: Senate agreed to conference report on sugar bill. Senate debated Mansfield amendment on sugar allocations. Senate concurred in amendment to extend time for filing leases for tobacco allotment transfers. Sen. Miller criticized USDA actions in consideration of farm bill. House received GAO report on sales under 1959-60 cotton purchase programs. Rep. Brewster criticized administration's farm program. Several Senators and Representatives commended extension service on 100th anniversary. Rep. Cooley introduced new farm bill.

SENATE

1. SUGAR. By a 54-12 vote, agreed to the conference report on H. R. 12154, the sugar bill. This bill will now be sent to the President. pp. 11583-612, 11616-20, 11636-8

2. HONEYBEE IMPORTS. Began consideration of H. R. 8050, relating to importation of honeybees. However, the debate related to an amendment by Sen. Mansfield to make certain sugar allocations to Western Hemisphere countries. pp. 11620-3, 11630-1.

3. TOBACCO ALLOTMENTS. Concurred in the House amendment to S. J. Res. 201, to provide that tobacco lease transfers shall be effective if agreed upon prior to the normal planting time in the county or June 15, 1962, whichever is earlier, and the terms of the lease are filed in writing in the county office in which the farms involved are located within 20 days of the date of enactment of the measure. This measure will now be sent to the President. p. 11550

4. EXTENSION SERVICE. Several Senators spoke in commemoration of the 100th anniversary of the signing of the Morrill Land Grant Act of 1862.pp. 11539-50, 11554-8, 11579-81, 11615, 11631, 11636

5. FARM PROGRAM. Sen. Miller criticized the Secretary's actions in connection with consideration of the farm bill. pp. 11564-5

6. DAIRY INDUSTRY. Sen. Proxmire inserted an article, "New Milk Values Offered Dieters--Solids, Not Fats, Stressed in California System." pp. 11578-9

7. FOREIGN AGRICULTURE. Sen. Proxmire inserted an article, "Food Woes Grow for German Reds." p. 11578

8. RECLAMATION. Sen. Miller inserted a statement by the National Farmers Organization favoring a limitation in acreage units of the San Luis reclamation project. pp. 11563-4

9. FORESTRY. Sen. Neuberger inserted an article, "Misuse of the National Timber Reserves Points Up Need for Wilderness Bill." pp. 11553-4

10. EXPENDITURES; PERSONNEL. Sen. Byrd, Va., presented the May report of the Joint Committee on Reduction of Nonessential Federal Expenditures. pp. 11517-20
Sens. Lausche and Williams, Del., spoke in favor of economy in expenditures. pp. 11596-7, 11612-3

11. BUILDINGS. Received from GSA a proposed bill to authorize GSA, in connection with construction and maintenance of a Federal office building, to use the public space under and over 10th St., S. W., in D. C.; to Public Works Committee. p. 11516

HOUSE

12. COTTON; CCC. Received a letter from GAO "transmitting a report on the review of certain aspects of the operations of unlimited sales agencies under the 1959 and 1960 cotton purchase programs of the Commodity Credit Corporation..., Department of Agriculture. These operations began in June 1959 and extended through April 30, 1961"; to Government Operations Committee. p. 11748

13. FARM PROGRAM. Rep. Brewster explained his reasons for opposing the administration's farm program, stated that he has "consistently opposed the continuation of high price supports - even when coupled with so-called acreage controls," and urged a gradual reduction of price supports. pp. 11735-6

14. EXTENSION WORK. Several Representatives paid tribute to the land-grant colleges and universities on their 100th anniversary. pp. 11641, 11687, 11689-92, 11693-730, 11734-5, 11746

15. PUBLIC WORKS. Passed as reported S. J. Res. 68, providing for the designation of the week beginning October 14, 1962, as National Public Works Week. pp. 11642-3

16. SMALL BUSINESS. Passed, under suspension of the rules, H. R. 12121, to increase the revolving fund of the Small Business Administration (pp. 11659-62). Passed S. 2970, a similar bill, after substituting the language of H. R. 12121 as passed. H. R. 12121 was then tabled. (pp. 11662-3).

S. 2107. An act to amend title 14, United States Code, entitled "Coast Guard", to extend the application of certain laws relating to the military services to the Coast Guard for purposes of uniformity;

S. 2130. An act to repeal certain obsolete provisions of law relating to the mints and assay offices, and for other purposes;

S. 2198. An act for the relief of Lise Marie Berthe Marguerite De Simone;

S. 2300. An act for the relief of Byron Wong;

S. 2309. An act for the relief of Tio Sien Tjiong;

S. 2355. An act for the relief of Filomena F. Schenkenberger;

S. 2586. An act for the relief of Alexandra Callas;

S. 2606. An act for the relief of Patricia Kim Bell (Kim Booshin);

S. 2607. An act for the relief of Lee Hwa Sun;

S. 2633. An act for the relief of Susan Holt Lerke (Choi Sun hee);

S. 2679. An act for the relief of John Axel Arvidson;

S. 2709. An act for the relief of Ernst Fraenkel and his wife, Hanna Fraenkel; and

S. 2732. An act for the relief of Yoon So Shim.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 1969. An act to amend the Federal Aviation Act of 1958, as amended, to provide for supplemental air carriers, and for other purposes; and

S. 3062. An act to amend the Soil Bank Act so as to authorize the Secretary of Agriculture to permit the harvesting of hay on conservation reserve acreage under certain conditions.

SUGAR ACT AMENDMENTS OF 1962—CONFERENCE REPORT

Mr. LONG of Louisiana. Madam President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of June 29, 1962, pp. 11482–11485, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. MANSFIELD. Madam President, will the Senator yield to me without losing his right to the floor?

Mr. LONG of Louisiana. I yield to the Senator with that understanding.

Mr. MANSFIELD. Madam President, I suggest the absence of a quorum. The attachés of the Senate should take notice that this will be a live quorum. I want every Senator to be notified to that effect.

The PRESIDING OFFICER. The Clerk will call the roll.

The legislative clerk called the roll and the following Senators answered to their names:

[No. 109 Leg.]

Aiken	Gore	Monroney
Allott	Gruening	Morse
Anderson	Hartke	Moss
Bartlett	Hayden	Mundt
Bennett	Hickenlooper	Muskie
Bible	Hickey	Neuberger
Boggs	Hill	Prouty
Burdick	Holland	Proxmire
Bush	Hruska	Randolph
Byrd, Va.	Humphrey	Robertson
Byrd, W. Va.	Jackson	Russell
Cannon	Javits	Scott
Case	Johnston	Smith, Maine
Chavez	Keating	Stennis
Clark	Kerr	Symington
Cooper	Kuchel	Talmadge
Cotton	Lausche	Thurmond
Curtis	Long, Mo.	Tower
Dirksen	Long, Hawaii	Wiley
Dodd	Long, La.	Williams, N.J.
Douglas	Mansfield	Williams, Del.
Dworshak	McCarthy	Yarborough
Ellender	McClellan	Young, N. Dak.
Engle	McNamara	Young, Ohio
Fong	Metcalf	
Fulbright	Miller	

Mr. HUMPHREY. I announce that the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Michigan [Mr. HART], the Senator from North Carolina [Mr. JORDAN], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Washington [Mr. MAGNUSON], the Senator from Wyoming [Mr. McGEE], the Senator from Rhode Island [Mr. PASTORE], the Senator from Rhode Island [Mr. PELL], the Senator from Florida [Mr. SMATHERS], the Senator from Massachusetts [Mr. SMITH], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

I further announce that the Senator from Colorado [Mr. CARROLL] and the Senator from Idaho [Mr. CHURCH] are necessarily absent.

Mr. KUCHEL. I announce that the Senators from Maryland [Mr. BEALL and Mr. BUTLER], the Senator from Indiana [Mr. CAPEHART], the Senators from Kansas [Mr. CARLSON and Mr. PEARSON], the Senator from Arizona [Mr. GOLDWATER], the Senator from Kentucky [Mr. MORTON], the Senator from New Hampshire [Mr. MURPHY], and the Senator from Massachusetts [Mr. SALTONSTALL] are necessarily absent.

The PRESIDING OFFICER. A quorum is present.

The question is on agreeing to the conference report.

Mr. LONG of Louisiana. Mr. President, last Friday night the House and Senate conferees agreed on a compromise version of the sugar bill. The Senate conferees, as is their custom, stood firm, and gave ground only when absolutely necessary and only when the benefits obtained seemed to well outweigh the loss. I shall state very briefly the results of the conference, and Senators can judge for yourselves how the conferees represented them in this matter.

In the first instance, the Senate version of the bill had an expiration date of June 30, 1967. The House version date was December 31, 1966. On this point the Senate conferees receded, with regard to the domestic production part of the bill, for what seemed to be sound reasons. Domestic quotas are on a calendar-year basis; and, for a number of reasons, it seemed wise to have the bill continue in operation until the end of some calendar year. We did not count this as any real concession.

With regard to the added allocations of the growth factor, the Senate conferees were adamant. This firmness was soon evident, and the House conferees conceded. So the conference report allows 65 percent of the growth factor to be allocated to domestic areas—instead of the 63 percent in the House version—and a 65,000 ton a year reserve for new areas, as against the 50,000 granted in the House version. The entire language of the Senate version with respect to this was adopted, with very minor changes which were obvious improvements.

The Senate conferees then made somewhat of a concession on the section of the bill pertaining to the imports of direct consumption sugar. The House version was more restrictive in this respect than the Senate bill, and finally the House language was adopted. This would limit the direct consumption sugar that may be entered from countries other than the Republic of the Philippines to the average amounts entered during the years 1957–59 for all countries with total quotas of 20,000 tons or less. No direct consumption sugar would be permitted to enter from countries with quotas of more than 20,000 tons. All sugar brought in as replacement for the suspended Cuba quota must enter in the raw state, so long as raw sugar is reasonably available from other authorized sources.

The House conferees receded, and accepted the Senate version with regard to the definition of "alcohol." The Senate had clarified this section of the basic law, which provides that sugar brought in for the manufacture of livestock feeds and alcohol need not come in under the quota provisions. The Senate amendment was adopted.

The Senate conferees receded and adopted the House language concerning the importation of liquid sugar. The purpose of the language in both versions was to limit possible abuses and danger to the program through the importation of liquid sugar. The two versions were not far apart; but the House proposal seemed a little tighter, so the Senate did not lose by this concession.

The real problem in the conference, and one which several times threatened to leave us with no sugar bill at all, involved the features of the foreign quotas. At one point the conferees agreed to disagree, and the conference broke up; but after a little time, during which both sides had the chance to analyze the situation and contemplate the serious nature of the results of no sugar legislation, another final effort seemed to bring results which, although not quite satisfactory to either side, at least seemed to leave them equally unhappy—which is about the best one

could hope for under the circumstances.

The country allocations of basic quotas in the House version were substantially larger than in the Senate version. In any compromise on this, the amounts in the Senate version would have to go up, and those in the House version would have to come down. However, any allocations at all were involved in the question which caused the real impasse—namely, whether these quotas would remain stable, with the premium price constant, or whether the premium should be reduced on a graduated basis.

The Senate version provided that the more moderate quotas assigned to foreign countries should be granted on the basis of a gradual increase in the percentage of the import fee to be collected upon importations of sugar from those countries. On a 5-year basis, 20 percent of the import fee would be collected the first year, and 40 percent, 60 percent, 80 percent, and 100 percent in the succeeding years, respectively. The House version had no such graduated scale of import fees, for it had no import fee at all.

The ice was broken for the first time when the distinguished Senator from Utah [Mr. BENNETT] suggested a possible compromise of a shorter extension, with the import fee applying. An earlier suggestion for a simple 1-year extension of the foreign quota features of the bill had been rejected. But since the House conferees seemed to prefer to have no bill at all, rather than to have a 5-year extension with a gradual reduction in premium payments, there began a discussion of a shorter period. The possible compromise seemed to be along the line of a shorter period for the foreign quota sections of the bill only, and this was explored and debated.

As a part of this problem, the conferees debated the reallocation of the Cuban quota and the size of the Cuban quota to be maintained for that country when and if our mutual relations improved. The House conferees finally conceded on the Cuban quota reserve; and the Senate provision that the unfilled Cuban quota should be purchased on a "global quota" basis—that is, purchased from any country desiring to sell, but with the payment of a full import fee based on the difference between the world price and the domestic price was adopted. This constituted a major concession on the part of the House conferees, and it seemed for the first time that a bill suitable to both Houses could be drafted.

The Senate had hoped for a larger Cuban quota to be available to that country when and if it deserved it and could handle it. The Senate version provided for a substantially larger quota for Cuba, even though it could not be assigned there at the present time. The Senate finally compromised on a figure of 1,635,000 tons, to be kept in reserve until such time as Cuba might again join the free world. The House conferees receded from their former position of requiring that the Cuban quota be reallocated on a full premium-price basis. The conference report states that all importations under the suspended Cuban quota shall come in under full recapture of the premium; in other words, all such imports are to be subject to the full import fee, and will be bought on a first come, first served basis.

After settling this major problem, the conferees proceeded to discuss the basic quotas for the rest of the world. Some countries granted quotas under the House version were dropped; some quotas in the House version were reduced, which meant that some country quotas in the Senate version were raised. The list of allocations to the various countries is rather long, and I ask that it be printed in the RECORD at this point.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

	Tons
Peru	190,000
Dominican Republic	190,000
Mexico	190,000
Brazil	180,000
British West Indies	90,000
Australia	40,000
Republic of China	35,000
French West Indies	30,000
Colombia	30,000
Nicaragua	25,000
Costa Rica	25,000
India	20,000
Ecuador	25,000
Haiti	20,000
Guatemala	20,000
South Africa	20,000
Panama	15,000
El Salvador	10,000
Paraguay	10,000
British Honduras	10,000
Fiji Islands	10,000
Other countries	11,332

Mr. LONG of Louisiana. Madam President, the House conferees receded further from the position that no premium price reductions would take place; and the Senate conferees receded a little on the length of time of the operation of the part of the act applying to foreign quotas. As agreed upon, the quotas are allocated to the countries named for a period of 2½ years, or until the end of 1964, with a three-step reduction in the premium payments. The first year imports must pay 10 percent of the import fee based on the difference between the world price and the domestic price; the second year, 20 percent of the difference; and in the third year, 30 percent.

This reduction in premium payments was a very important part of the Senate version of the bill. The administration had indicated that it was highly advisable to begin to do away with the premium price system; and it is gratifying to be able to report that we have, at least, made some progress in this direction.

Madam President, I hope the conference report will be adopted. I hope the Senate will agree that the conferees from this body upheld the Senate traditions and brought back a suitable compromise. I understand that the full House has adopted the conference report by a vote of 248 to 31. I hope the Senate will sustain the Senate conferees.

I should like to add that the anti-confiscation amendment contained in the House version of the bill was strengthened in conference, in light of the action undertaken by the Senate Foreign Relations Committee when it voted for a rather strong provision along that line.

The provisions which would have made it possible for the President to have dispensed with sugar quotas and sugar payments in instances in which American property had been seized without compensation, by determining that it was desirable to take such action, were eliminated from the bill.

Mr. HOLLAND. Mr. President, will the Senator from Louisiana yield?

The PRESIDING OFFICER (Mr. METCALF in the chair). Does the Senator from Louisiana yield to the Senator from Florida?

Mr. LONG of Louisiana. I yield.

Mr. HOLLAND. First, I compliment the Senator from Louisiana and other members of the conference committee. In the main they have reported not only a livable bill, but also one which is much better than the version of the bill which came to us from the House.

I am particularly interested in two features of the bill, although I wish to make very clear that I shall not in any way obstruct early adoption of the conference report, because I think early continuity of the sugar program is highly desirable under the existing conditions.

Next, let me say that I notice that from the list of countries among which sugar was prorated by the provisions of the House version of the bill, only Argentina, in this hemisphere, and Mauritius, not in this hemisphere, were eliminated from the list in the House version. Is that correct?

Mr. LONG of Louisiana. That is correct. The quotas for some other countries were reduced; but those were the only two countries for which quotas were completely eliminated.

Mr. HOLLAND. That is the way I understand the report.

I am particularly concerned with the elimination of the Argentine quota, because I have found the Argentines very cooperative with us, particularly in the tung oil field, with which the Senator from Louisiana is familiar, inasmuch as his State, Mississippi, and my own State are the three heavy tung-oil producing States. The Senator from Louisiana will remember that in that field we secured a quota for Argentina some years ago; but our Argentine friends felt that the quota was not exactly as fair or as mutual as it should be, and requested that it be discontinued, and agreed to confine their shipments to this country within substantially the same limits as those the quota had fixed; and certainly they have lived up to that commitment. I am very anxious to know why the premium price quota for Argentina was eliminated.

Mr. LONG of Louisiana. Perhaps the Senator from Florida recalls that the Senate version of the bill did not contain any quota at all for Argentina. In other words, the Senate version of the bill assigned quotas only to countries which had had quotas assigned by previous legislation. Even then, it had a provision that every year the premium payment would be reduced 20 percent, so that in 5 years there would be no premium payments.

The Senate bill gave Argentina a fixed quota and no reduction in premium.

The Senate conferees, in trying to hew to the Senate version of the bill, were trying to stay as close as possible to the Senate approved bill. So far as the Senate conferees were concerned, they were willing to take that version, so far as concerns assigning a quota to countries other than ones that had had a quota historically. The House yielded on this point, and with regard to reductions for others.

The Senator will recall that only these countries were included in the bill: The Philippines, Peru, Dominician Republic, Mexico, Nicaragua, Haiti, the Netherlands, the Republic of China, Panama, and Costa Rica. Outside this area, Canada, the United Kingdom, Belgium, Hong Kong, and the British West Indies were included.

The conferees became embittered at times, and in seeking to have the House eliminate the premium payment amounts, the House, yielding insofar as it could—I would assume on the basis of the information the House conferees had—with regard to Argentina did not support it as much as the others. This was a matter of the House yielding to the Senate, and not the other way.

It may be that we can ask the President to take another look at this question, in view of the fact that there was provision for a country quota. The President felt that none should have a country quota other than those who had had it historically, and even then there should be a premium reduction. We did obtain a reduction, but not as rapidly as the President wanted.

Mr. HOLLAND. I fully realize that in conference one cannot get everything he would like. The thing that disturbs me is that Argentina alone among our hemispheric friends originally included was completely cut out of the entitlement to a premium quota basis. I note that several of our other good friends among the Latin American countries have had their premium payment quotas continued. I certainly do not want to deprive them of any of their benefits under the conference report. It seems to me it is particularly necessary, with our Alliance for Progress program underway, to deal as evenhandedly as possible with our friends in Latin America. Does the Senator from Louisiana agree with me in that statement?

Mr. LONG of Louisiana. I agree with the generality of the Senator's conclusion. I say to him, however, that the Senate conferees went to conference committed to the Senate's position not to let any of those countries have quotas. We are not taking away anything they had, in so far as relates to countries which had quotas temporarily being gradually reduced. If the Senate conferees had had their way, all of them would have been left out. Instead, the following countries were included: El Salvador, Guatemala, Brazil, Colombia, French West Indies, Australia, Paraguay, India, British Honduras, Fiji Islands. Mauritius did come out. The position of the Senate is to try to put the entire act on a basis under which there would be no premium payments 5 years from now, and only those who had had premium payments for 5 years gone by on a legislative basis, would have had any. We succeeded in going very far in that direction. Perhaps some persons felt we went too far, but we had the Senate approved bill before us, and that is what we were trying for.

Mr. HOLLAND. I can appreciate that the Senator was fighting for the Senate bill. I am glad he prevailed in so many respects. I am only sorry that if any of the Latin American countries that were scheduled to have a premium payment basis under the House bill were eliminated, they were not all eliminated.

The Senator from Louisiana made a statement to the effect that he understands there may be some action contemplated to correct that situation. Is it contemplated for the immediate future?

Mr. LONG of Louisiana. I shall certainly be glad to consider it. As I said, the Senate bill assigned very little under quotas. We went to conference on a basis of a difference of 1,200,000 tons between what the House assigned under quotas and what the Senate was willing to assign under quotas. We came out with a 1,635,000-ton reserve to be purchased at the world market price.

It might be said that we yielded to the extent of about 600,000 tons in order to get a conference report. It may be that as a result of yielding on this issue as between countries, some adjustment may be indicated. That is a subject on which the State Department should advise us. But the House conferees had a right to do what they did on the first motion, which was to exclude all the administration's advisers from the room. I do not blame them for doing it. Under the separation of powers, they had a right to do it. With the administration supporting the Senate's position, it was probably necessary, in order for the House conferees to maintain their position, that there should not be any advisers from the Department of State or Department of Agriculture in the room.

On that basis, it might well be that the administration might recommend that there should be a relatively small, or even a substantial, adjustment in connection with foreign quotas.

From the Senate point of view, we were doing the best we could to uphold the Senate bill. I believe the Senate is in the best position it has ever occupied in conference.

Mr. HOLLAND. I thank the Senator. I think he is correct. I think this is a true give and take. I am sorry as much had to be given in the field I have mentioned.

As I understand, the Senator is not averse to having a correction of this matter so far as Argentina and any other adversely affected Latin American nation is concerned.

Mr. LONG of Louisiana. I would be perfectly willing to put Argentina on a basis with the other countries in this hemisphere. I would want to get the advice of the State Department and the President on that subject, because they are in a better position to know the situation than this Senator is.

From where we were standing in the conference committee, we thought it would be better to have such advice, but we were dealing with a coequal legislative branch of the Government. We did the best we could to adhere to the Senate position.

Insofar as some inequity may be involved as between friends of ours within this hemisphere, the Senator can recognize that it was a matter of the House yielding on some of these questions. If the House yielded too far, it was not because the Senate did not try to get the Senate bill all the way.

Mr. HOLLAND. Again I compliment the Senator from Louisiana for the degree of success in the conference.

Mr. LONG of Louisiana. At the time Argentina was removed from the provision, the Senate conferees did not know that other countries would not also be eliminated. We were hoping they would be. Our position was that we wanted to stay with the Senate bill, and stay as close to holding the Senate position as we could.

Mr. HOLLAND. I thank the Senator.

My next question has to do with the increase for domestic producers, with which I know the Senator from Louisiana is concerned, not only on a national basis, but in the interest of the producers of his own State.

Will the Senator state for the record the result of the conference insofar as relates to the increased production permitted under the conference for the mainland sugarcane producers?

Mr. LONG of Louisiana. That which was in conference was the difference between the House figure of 63 percent of the increase and the Senate figure of 65 percent of the increase. We adopted the Senate figure of 65 percent of the increase.

As a practical matter, I believe the Senator will find that with respect to every item in conference, with possibly one or two minor exceptions, insofar as the domestic industry is concerned, the agreement which was reached was to the advantage of the domestic industry. When the House version of the bill seemed to be more favorable to the domestic industry, we took the House provision, and the House generally yielded to the Senate when the Senate provision was more favorable.

The Senate bill would have provided a longer duration than the House bill, but the domestic industry felt that this program should be on an annual basis, because in that way the farmers will know what they can plant and can make their plans at planting time.

When we took the shorter expiration date of the House version, so far as the domestic industry was concerned, it was on the basis that it would be better for the farmers to know in January what their situation was going to be when they started planting than to have a bill passed and leave them in a situation of uncertainty at the end of June.

Mr. HOLLAND. I have one more subject which I should like to have the Sen-

ator discuss. I appreciate his kindness in yielding.

My understanding is that there was no difference between the two versions of the bill passed by the House and by the Senate on the immediate increase to domestic producers either in the cane-sugar industry or the beet-sugar industry.

Mr. LONG of Louisiana. There was no conflict in that regard. That was not in conference.

Mr. HOLLAND. Was it the intention of the conference committee, and is it the Senator's understanding of the intention of the Congress, in respect to the bill, that the added tonnage to the domestic industry is to take care of the increased plantings that have been made in the cane-sugar industry and the increase in plantings made and to be made in the beet-sugar industry?

Mr. LONG of Louisiana. The Senator is correct. I believe there would be an increase of about 625,000 tons.

The State of Florida, relatively speaking, probably will benefit more than the State of Louisiana, because Florida is increasing its sugarcane acreage much more rapidly than is Louisiana. Florida has climatic advantages over Louisiana. That additional tonnage will be available for the domestic producers of beet sugar and cane sugar. I do not have the breakdown as between the two, but the additional tonnage will be available under the act.

Mr. HOLLAND. Of course, the Senator is mindful of the fact that in my State the planting of sugarcane has substantially doubled in recent years as the result of the cutting off of the Cuban source of a large portion of our sugar. Is it the Senator's understanding that the added domestic sugarcane tonnage, under the terms of the bill, is designed to take care of the added plantings of the domestic sugarcane industry? I am thinking particularly now of the addition to planting, which has been very heavy in the Florida cane sugar industry.

Mr. LONG of Louisiana. Florida will get its full share of the increase. Of course, there will be some increases also in the beet sugar areas. I do not know whether Louisiana plans to greatly increase its sugarcane planting, but I understand the Florida situation. There have been very substantial increases in planting.

Historically, Louisiana has produced about 10 times as much sugarcane as Florida, but Florida, has been able to produce very efficiently and very economically, as the Senator knows, in competition with other beet and sugarcane producers. Of course, Florida will be in a position to harvest the crop and to market the crop being produced there.

Mr. HOLLAND. I thank the distinguished Senator from Louisiana. I am particularly anxious to have this point made clear for the RECORD, because those who have planted new acreage in my State are very much concerned as to whether they are to be taken care of under the terms of the bill. They are much concerned as to whether they will have an equitable opportunity, along with the older growers, to have their acreage cared for under the terms of the bill. As I understand the situation, from the Senator's comment, they will have.

Mr. LONG of Louisiana. Of course, this matter will be under the discretion of the Secretary of Agriculture, and the bill gives to the Secretary the powers he needs to protect the new growers in the Senator's State.

Mr. HOLLAND. And it is the intention of those framing the bill to take care of the new acreage?

Mr. LONG of Louisiana. Yes, it is.

Mr. HOLLAND. I thank the Senator.

Mr. ELLENDER and Mr. ALLOTT addressed the Chair.

Mr. LONG of Louisiana. I yield to my colleague.

Mr. ELLENDER. Mr. President, I also wish to compliment the committee of conference for being able to reach agreement. I was somewhat dubious on Friday as to whether or not they could do this.

I regret, as many other Senators regret—particularly my good friend, the Senator from Illinois [Mr. DOUGLAS]—that the Senate was more or less compelled, in order to get a bill, to add new countries to those which already receive permanent quotas. As I recall, under the present law only 10 countries in the past have received quotas. They are Cuba, Peru, the Dominican Republic, Mexico, the Republic of China, Nicaragua, Costa Rica, Haiti, Panama, and the Netherlands.

Mr. LONG of Louisiana. The Senator left out the Philippines. The Philippines were once a part of the United States.

Mr. ELLENDER. I know, but the Philippines are treated separately. As the Senator from Florida has pointed out to me, the Philippines have a treaty with the United States.

What concerns me, with respect to the countries to the south of us having permanent quotas—Brazil, the British West Indies, the French West Indies, Colombia, Ecuador, Guatemala, El Salvador, Paraguay, and British Honduras—is that we have provided no quota for one of the most important countries to the south of us, Argentina. My fear is that by not providing a sugar quota for Argentina some friction may result. I have hopes that something can be done about that. The only reason I suggest the problem is that the conference saw fit to agree to add quotas for several countries to the south of us, and, as I said, left out Argentina.

Mr. LONG of Louisiana. Mr. President, I explained this situation to the Senator from Florida in considerable detail. I believe part of that explanation occurred before my colleague entered the Chamber.

Mr. ELLENDER. I understand what happened. I was present and I heard everything the Senator said. There is one thing we must not overlook, however. I think it will be pleasing to quite a few of us. The Senate version of the bill provided a graduated recapture of the premiums payed over a period of 5 years. The House had no such provision in the bill it passed, but the House conferees did agree to a recapture provision of 10 percent for the first 6 months, 20 percent for the next year, and 30 percent for the third.

Mr. LONG of Louisiana. Until the act expires.

Mr. ELLENDER. I am very hopeful that in time all of the premium payment will be recaptured and will find its way to the general fund of the Treasury. That, of course, must be done gradually, I will say to the Senator from Illinois [Mr. DOUGLAS]. I do not think it could be done overnight.

I was very hopeful that the Senate version of the bill would be accepted. Since that was not possible, I express the hope that the Senate will rectify the situation so far as Argentina is concerned in some way.

However, it is imperative that we accept some type of conference report today, because, as the Senator knows, the Sugar Act expired on June 30. My fear is that if we try to obtain another conference, there is no telling what would happen and how long it would take. It is my belief that the Senate should accept the conference report, as did the House. Then we can deal with a quota for Argentina in subsequent legislation. I hope that is the course that the Senate will take.

Mr. LONG of Louisiana. Mr. President, there is no doubt in my mind that if the Senate sees fit to send to the House a bill which would place Argentina among those who do have some premium sugar, the House will pass it. The House bill contained a provision for Argentina; the Senate bill did not have a provision for Argentina. As the Senator knows, that is the sort of thing about which the State Department should advise us.

The Senator spoke about the various points that we won as a concession from the House. In my judgment, we did far better than the Senate conferees have ever done in relation to the Sugar Act in years past. Previously the House conferees would sit adamantly and refuse to yield on a point, and since most of the conferees came from States or districts in which no sugar was produced, they were in a position to take the attitude that if we did not want a Sugar Act, very well, the Sugar Act would expire.

Mr. ELLENDER. I am not registering any complaint about that. To the contrary, I believe the conferees did a very good job in getting the House to accept these two principles.

First, the Senate bill contained a provision that would permit a great deal of the Cuban quota to be distributed on a global basis.

Second, we would gradually recapture the premium payments that are made to foreign governments.

As I review the bill as a whole, the 9,700,000 tons of estimated consumption of sugar for the current year would be distributed as follows:

Beet and cane sugar producers of this country, including Hawaii, the Virgin Island, and Puerto Rico, would receive a quota of 5,810,000 tons. The Philippine Islands would receive a quota of 1,050,000. Under previous laws, which were reenacted, other countries would

receive quotas totaling 11,332 tons. That accounts for 6,871,332 tons. If we deduct that sum from 9,700,000 which is the estimated domestic consumption, 2,828,668 tons remains, of which Cuba's allocation would be 1,634,122 tons. The remainder of the countries named would receive quotas totaling 1,194,546 tons.

Mr. LONG of Louisiana. The Senator is correct.

Mr. ELLENDER. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table setting forth those figures.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

	Tons
Estimated U.S. consumption for current year	9,700,000
Allocated as follows:	
Domestic producers	5,810,000
Republic of the Philippine Islands	1,050,000
Others	11,332
Total	6,871,332
Balance for foreign distribution	2,828,668

Distributed as follows:

Country	Percentage allocation	Amount (tons)
Peru	6.71	189,804
Dominican Republic	6.71	189,804
Mexico	6.71	189,804
Brazil	6.37	180,186
British West Indies	3.19	90,234
Australia	1.41	39,884
Republic of China	1.24	35,075
French West Indies	1.06	29,984
Colombia	1.06	29,984
Nicaragua	.88	24,892
Costa Rica	.88	24,892
Ecuador	.88	24,892
India	.71	20,084
Haiti	.71	20,084
Guatemala	.71	20,084
South Africa	.71	20,084
Panama	.53	14,992
El Salvador	.36	10,183
Paraguay	.35	9,900
British Honduras	.35	9,900
Fiji Islands	.35	9,900
Netherlands	.35	9,900
Subtotal	42.23	1,194,546
Cuba	57.77	1,634,122
Total	100.00	2,828,668

Mr. McCLELLAN. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. McCLELLAN. Will the Senator tell me why Argentina received no quota? Was that subject discussed in any way?

Mr. LONG of Louisiana. The Senate bill assigned no quota to Argentina, El Salvador, Guatemala, Brazil, Ecuador, French West Indies, Australia, Paraguay, India, South Africa, Mauritius, British Honduras, and the Fiji Islands.

The Senate conferees fought to eliminate all of those countries that were not included in the Senate bill. As a practical matter, the Senator's question should be asked in the House. The House bill contained that provision. The Senate bill did not.

Mr. McCLELLAN. I understand. I merely wished to ascertain the reason. I did not know whether it was an oversight or what had happened. A number of countries that had not had quotas heretofore have now been given quotas, as I understand. Argentina had no quota heretofore and she is not given even a token quota now. It occurred to me that perhaps Argentina should have at least a token quota, as some of the other countries were given. I do not know whether it is quite proper to single Argentina out or, by circumstances, allow her to be singled out as the only South American country not to receive a quota of any kind. Perhaps there is a reason.

Mr. LONG of Louisiana. At the time the House of Representatives yielded on Argentina, the Senate conferees were hoping they would take all the rest of the countries out, too. But the House conferees became adamant and would not yield on the remainder. We reduced the number of countries as much as we could.

I am trying to point out to the Senator that we went to conference with a Senate bill that provided an assignment of 2,600,000 tons of sugar on a global basis—on a first-come-first-served basis—without any premiums. We came back from the conference with a bill that would assign 1,635,000 tons on that basis.

The Senate conferees were compelled to yield on roughly 600,000 tons. The House conferees were compelled to yield to the extent of about 1,635,000 tons. That was the main point in the conference. Perhaps the House conferees should have yielded more with regard to some of the countries and less with regard to Argentina.

I hope that if the bill works out in a way that the administration feels is not proper and that there should be some provision for Argentina, that the President will send us a recommendation so that we can make a provision for Argentina. My best understanding is that there would be no real opposition on the House side to such a provision. At least a great majority of the Representatives in the House would go along with such a proposal.

There is so much involved in the conference report, including industrial and agricultural interests in this country, as well as so many things in the field of foreign relations about which I am certain we are right, I hope that the Senate will agree to the conference report, and that if we are wrong with regard to Argentina, that the error will be corrected at a subsequent time.

Mr. McCLELLAN. I believe the conferees did a marvelous job. I commend them. I think we are all very much gratified at the measure of success the conferees finally had in bringing in the conference report. There is no criticism at all from my standpoint. But, unless there is some reason about which I do not know, we should not leave Argentina standing out like a sore thumb. We should not appear to have slighted Argentina, because I am sure that was not the intent of Congress. I cannot conceive that we intended to do anything like that.

I hope that as a result of our making the record now, the President will take some action to indicate clearly that the conference report was, after all, the result of a tug of war and a compromise, and that we did the very best we could. If he has the authority to make some adjustment, I hope that such an adjustment will be made promptly so that our attitude toward Argentina as compared to other South American countries will not be misunderstood.

Mr. LONG of Louisiana. If the President feels the same way the Senator from Arkansas does about the question, he will make that recommendation and this Senator will be glad to support it. But at the time we were in conference, as I pointed out previously, the Senate conferees were supporting the administration position. The House conferees——

Mr. McCLELLAN. Since the conferees had to yield——

Mr. LONG of Louisiana. Permit me to make the following point: The Senate conferees were supporting the position of the administration up to that moment. The House conferees were at war with the administration's position. The first motion that the House conferees made was to send all the administration advisers out of the room. On the question of permitting one country to have a new quota and letting some other country come under a quota, the advisers are in no position to advise. The House insisted on the maintenance of the theory of the separation of free and coequal branches of the Government, with the result that they did not want any administrative advisers in the room, and for good reason.

Mr. McCLELLAN. So far as the Senator knows, is there any reason why, if we are going to let all the other countries come in, why Argentina should be excluded?

Mr. LONG of Louisiana. No.

Mr. McCLELLAN. Is there any reason for it?

Mr. LONG of Louisiana. No. I would say that if we are to assign a quota to Paraguay and Guatemala and El Salvador and Brazil and Ecuador and Colombia and India and South Africa and British Honduras and the Fiji Islands, Argentina certainly can make as good a case as many of them for being included.

Mr. McCLELLAN. That is what I think. The record should be made clear in the Senate that Argentina is not being singled out by the Senate, with any idea of penalizing her, or by way of retaliation, or anything like that. Such an erroneous impression should not go out of the Senate.

Mr. LONG of Louisiana. As a matter of fact, this will be something that the administration will have to look into.

Mr. McCLELLAN. I hope so. Of course, I have no more interest in Argentina than in any other South American country. At the same time, I do not think we should single out one country and treat that country in a way different from that in which we treat other countries.

Mr. LONG of Louisiana. I thank the Senator.

If we prove to be in error about this matter, I would be glad to help, on any reasonable basis, in subsequent legislation, to modify any error that we might have made here.

Mr. McCLELLAN. I thank the Senator.

Mr. ALLOTT. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. ALLOTT. I believe we have pretty well covered the Argentina situation. As I understand, the Senate conferees got as far as having Argentina stricken.

Mr. LONG of Louisiana. And Mauritius, also. We took Mauritius out of the bill completely.

Mr. ALLOTT. Then the bomb, we might say, struck, and that was as far as the conferees could get on that subject.

Mr. LONG of Louisiana. We succeeded in reducing what was available to most of the rest of the countries, and also in reducing the amount of the premium payments these countries would get. So far as the quota that would be assigned to the countries which were obtaining quotas for the first time is concerned, that was a case of the House defending its position, with the Senate trying to take them all out.

Mr. ALLOTT. I believe we have gone into the Argentine matter for a half hour now in the debate. It is perfectly clear what happened. Before I ask the Senator another question, I wish to say that I beileve the Senate conferees did a wonderful job.

Mr. LONG of Louisiana. I appreciate the Senator's statement.

Mr. ALLOTT. I compliment the distinguished Senator from Louisiana for his part in the accomplishment. What the conference committee did was outstanding. By and large I feel that the viewpoint of the Senate was sustained at least so far as the conference bill expresses our point of view.

There is one item in which I am particularly interested. In the original House bill there were temporary allocations made of 1,250,000 tons of Cuban sugar. I opposed this temporary allocation for two reasons: First, I felt there is no such thing as a temporary allocation, because once we make it it becomes permanent in the mind of the recipient. Second, having assigned the quota, it no longer is a plum which we can dangle before people who may become disenchanted with what is going on in Cuba, to give them an opportunity to reestablish themselves economically through the cane sugar industry, which is the only method they have, even though it may take years. Does the Senator agree?

Mr. LONG of Louisiana. Of course; that is, so long as the premium payments are made. If the premium payments are no longer made, they will have to sell at the world market price. However, so long as the premium payments remain in effect, then, of course, if Cuba were a friendly nation, as she has been in the past so far as the United States is concerned, the Cuban cane industry could receive the large amounts of premium payments on their great sales of sugar to the United States, as in the past. I salute the Senator for trying to maintain that situation, so that a free Cuba could again have a substantial portion of the allocation of the sugar sales in the United States on a premium basis, as it had in the past.

Mr. ALLOTT. Even if the sugar were not sold on a premium basis, it would still mean a market for the Cuban sugar when the premium had worked itself out. It is not Cuba's allotment now; it is what used to be the Cuban quota, which we are segregating for the time being.

Mr. LONG of Louisiana. That is correct.

Mr. ALLOTT. I have two sets of figures before me. One set of figures shows Mexico receiving an allotment of 80,108 tons under the present law. Then I have another set of figures which I received from the staff. Those figures show 95,409 tons. Does the Senator know which of these figures are correct?

Mr. LONG of Louisiana. The 95,409 tons were the original quota for Mexico. Under the conference report the quota would be 190,000 tons.

Mr. ALLOTT. So that Mexico has doubled its quota for this year.

Mr. LONG of Louisiana. Yes.

Mr. ALLOTT. I notice, in checking these figures, that there are other countries which have done comparably well. Can the Senator from Louisiana give any particular reason why Mexico, in its present attitude toward the United States—even though the President has spent a weekend there—should be entitled to double its quota?

Mr. LONG of Louisiana. It is not a matter of what I think. The House originally provided 200,000 tons.

Mr. ALLOTT. They provided even more.

Mr. LONG of Louisiana. Yes. Our effort was to reduce it below that figure. As a matter of fact, the Senate bill provided for 95,000. We would have been happy to settle for that amount.

Mr. ALLOTT. In the original bill the House provided a quota of 95,000, plus 200,000, plus a temporary quota of 150,000.

Mr. LONG of Louisiana. Yes.

Mr. ALLOTT. That brings up a question in which I am very much concerned. I never begrudge anyone making a living. However, we have reached the place in the enactment of sugar legislation which presents the question of how far we should go when we observe people in Washington, representing foreign governments on a contingency basis, acting the way they do. In my opinion it represents a poor concept of law and a very poor principle of legislation. It is bad enough that the Senate and the House should be lobbied by every interest in the country. There is an effort to serve a proper function in a situation like that. On the other hand, grave questions are raised as to the function that is served when pressure is exerted when the undertaking is to see how much can be cleaved off or how much can be gotten out of Uncle Sam for an individual country, particularly when that is done on a contingency basis.

Mr. LONG of Louisiana. For the Senator's information I should state that the Senate did not yield to any such pressure as that.

Mr. ALLOTT. I realize that, of course.

Mr. LONG of Louisiana. The Senate did not add an extra ton, unless we talk about the 10,000 tons that eventually got into the bill for Ireland. Aside from a few tons for Ireland, the Senate did not yield anything.

Mr. ALLOTT. I am speaking about the principle involved, when we see people who represent foreign countries whose interests are absolutely inimical or at least contrary to the interests of this country operating as they do, and doing it on a contingency basis, as they have done in connection with the pending proposal.

Mr. LONG of Louisiana. I should observe that their interests are not necessarily in conflict with the interests of our country. In this respect, I am defending the House position. I have heard it said so often I might as well say it to the Senator, let us be fair. The fact is that there is a large volume of precedent in legislative history behind the writing of quotas into the law by the Senate and the House.

I have become convinced that this is not the sort of thing we ought to be doing. I believe that the Nation should speak with a single voice. Only the President should recommend what our foreign policy should be. After he does, we should undertake to say whether we think he is right or wrong about it.

Historically, the House Committee on Agriculture would write in the proposed quotas, and the Senate Committee on Finance would have the same privilege. When the Senate committee undertook to write in the quotas in recent years, it was done at the recommendation of the administration; in other words, we provided in the bill what the State Department and the President would recommend to us. So long as I have been a member of the committee of conference, I cannot recall that we have undertaken to vary from what the administration recommended as a proper arrangement.

Mr. ALLOTT. I recall very well the traditional arrangements between both bodies on this matter. I think the distinguished Senator from Louisiana and the entire body of conferees have effected an excellent compromise. Personally, I feel that the bill should be enacted, and enacted at once, so that there will not be any further hiatus between the expiration of the old law and the beginning of the new one.

Mr. LONG of Louisiana. My judgment is that if we consider the bill from the point of view of the United States, it is the best sugar bill we will ever have passed. It leaves much to be desired; but so far as I can point out objectionable features, like those the Senator has stated there are in the bill, it is at least a move in the right direction compared with the previous act.

Mr. ALLOTT. I think the Senator from Louisiana depreciates himself and the members of his committee a little too much; because while they did give away 600,000 tons, roughly, under the Senate position 1,635,000 tons are still retained. This is an amount larger than was available under the bill as it came to the Senate. No doubt there was much discussion of this point, but the Senator did well to retain that provision.

Mr. LONG of Louisiana. I thank the Senator from Colorado. We have retained 2½ times as much as we yielded, so far as the amount of tonnage involved

is concerned, between premium payments and nonpremium payments.

Mr. YOUNG of North Dakota. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield to the Senator from North Dakota.

Mr. YOUNG of North Dakota. I join with other Senators in complimenting the Senate conferees upon having worked out a far better piece of legislation than I thought was possible. I think they have reached an excellent solution.

I wish to ask one question: What formula is used now to determine the distribution of the domestic allotment as between cane sugar and beet sugar? Is it the same formula as was used in the past?

Mr. LONG of Louisiana. I assume the formula will be the same. The bill does not touch that phase. The only thing the bill provides on that subject is that 65,000 tons a year shall be reserved for new areas. This is, of course, larger than the 50,000 tons which the House provided.

The committee had in mind that that amount would go to beet-sugar mills. It might be enough to make possible the building of two new sugar mills a year. As a Senator from a cane-sugar-producing State, I am willing to go along with that. I believe all the increased production per acreage will be in beet-producing States. They will get most of the increase. Perhaps there will be some increase in the cane-sugar-producing States. We believe that that increase will go mostly to Florida, not to Louisiana.

But we did not seek to provide a formula for the distribution. Usually about 90 percent of the domestic sugar production has been beetsugar, and 10 percent has been cane sugar, within the continental United States. We expect to maintain that proportion. As a matter of fact, the proportion is nine-tenths to one-tenth. The figuring by tenths related to the time before Hawaii was admitted to the Union. Including Hawaiian cane, the percentage is about one-fourth to three-fourths.

Mr. YOUNG of North Dakota. So the formula will be about the same as it always has been?

Mr. LONG of Louisiana. Yes; we did not touch that. That will remain in the hands of the Secretary of Agriculture.

I do not know of anyone who is complaining about that factor. I can appreciate why the Senator from North Dakota has raised the question. Not being a member of the committee, he would not want to have North Dakota prejudiced. But this provision would not have that effect.

Mr. JAVITS. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield to the Senator from New York.

Mr. JAVITS. A few importers in New York import refined sugar from the United Kingdom, Belgium, the Netherlands, and Canada. I gather that the continuation of those imports, which amount to about 5,500 tons a year, will be cut off by the adoption of the House language. The clerk of the conference has directed my attention to a provision at the foot of page 6 of the conference report on that subject.

My question is, first, to confirm that that is so, and the reason for it; and second, to ask a question which those people have put to me. Perhaps the Senator from Louisiana can help with that; perhaps he cannot.

It is the fear of the New York importers that the Department of Agriculture may seek to make this part of the act retroactive, so that even if the importers could get some of the sugar into the United States in the next few days, before the bill became law, the entry of it would be invalidated for some reason. That seems inconceivable to me.

Mr. LONG of Louisiana. It was not understood in the conference that anything in the act would be retroactive. I do not know of any basis on which that would be the case. I could be proved wrong by the express wording of some section in the bill, but I do not know of anything to that effect.

Mr. JAVITS. It is not the intent?

Mr. LONG of Louisiana. Not so far as the chairman of the Sante conferees is concerned.

Mr. JAVITS. Will the Senator give the rationale which dictated the elimination of this type of import?

Mr. LONG of Louisiana. The more raw sugar that is imported into and refined in the United States, the more jobs and the more business the American sugar refiners are able to have in refining sugar. I believe that this is a House provision which was agreed to. As I recall, this was a difference between the House and the Senate bills. In a long, hard fought conference, extending over days, a conference which at times became acrimonious, this was one of the instances in which the Senate conferees were able to agree with the House and took the House position, although on something of this sort someone gains and someone loses.

Mr. JAVITS. So far as we in New York are concerned, our refineries gained very definitely from the provision which relates to the elimination of the 250,000 tons of refined sugar which could otherwise have been imported if the Cuban situation had remained intact. That comes out of the Senate version, incidentally. Perhaps, therefore, it was a compensatory provision. That is, the Senate having prevailed in terms of 250,000 tons, the House provision prevailed with reference to this rather minor tonnage, but which does effect some New York importers.

I am not complaining about this, but I wanted to get to the point, first, of the rationale that these people will not feel that no attention has been paid to them; and second—what I hardly felt would be the case—they need have no fear of retroactivity.

Mr. LONG of Louisiana. When we allow more production to our domestic beet growers, we then are compelled to reduce the importation of white sugar. Cane sugar is produced as raw sugar and is refined. Beet sugar is refined. If more beet sugar is to be produced in this country, necessarily it is white sugar. That being the case, by producing more beet sugar, necessarily we reduce the amount of refined cane sugar imported into this country.

Mr. JAVITS. Is it fair to say that the New York sugar refiners having gained something appreciable in terms of employment because of the prohibition of the importation of 250,000 tons, it was not unexpected that these small importers would have to give up something, and that this was the compromise that was reached?

Mr. LONG of Louisiana. Yes; that is how it worked out. I believe the Senator will find that there is nothing retroactive. Once the importers have received their sugar, they can refine it.

Mr. JAVITS. I thank the Senator from Louisiana.

Mr. MOSS. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield to the Senator from Utah.

Mr. MOSS. I have followed the discussion on the report of the conference. I, too, wish to commend the Senator from Louisiana and the other conferees for an excellent report. It seems to me that we have before us a report on a sugar bill which will be far superior to anything we have had up to this point.

I also wish to agree with what has been said by a number of other Senators about the elimination of Argentina, when other Latin-American countries were included. I think something should be done to rectify that oversight, or elimination.

Does the Senator understand that if the conference report shall now be agreed to, and the bill sent to the President, some immediate action would be forthcoming to deal with the problem of Argentina in another way, through another legislative vehicle outside the sugar bill itself?

Mr. LONG of Louisiana. I understand that such an effort will be made. I do not ask any Senator to commit himself to it, but I understand there will be such an effort, based upon the President's judgment of what the overall effect might be when he considers the quotas for additional countries. I was against including new quotas for any new countries.

Mr. CLARK. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. CLARK. I am keenly aware of the very great difficulties with which the Senator from Louisiana and his colleagues on the conference committee must have been faced when they went into the conference and had to face the doughty and intrepid chairman of the House committee, whose views on these matters are well known and often have been stated. So I do not criticize the Senator from Louisiana for not having gotten a better deal than he and the other Senate conferees did.

But I wish to emphasize the point that I represent the Commonwealth of Pennsylvania, which is greatly interested in obtaining sugar for its consumers as cheaply as possible, for basically Pennsylvania is a sugar-consuming State, although a few sugar refineries are

located in the Commonwealth. But basically Pennsylvania is interested in obtaining sugar at as low a price as possible. Of course I understand that the interests of the beet-sugar and the cane-sugar producing States are different from the interests of our State in connection with this matter.

It is my understanding—and I hope the Senator from Louisiana will correct me if I am in error—that under the bill recommended by the administration—for which I voted with some reluctance, because of the increase it provided in the domestic production—the Cuban quota was to be transferred to a world quota, instead of being allocated to particular countries.

Mr. LONG of Louisiana. That is correct.

Mr. CLARK. Is it not true that under the conference report, of the 25 countries to which the House committee had assigned quotas, 23 still would get quotas?

Mr. LONG of Louisiana. There was a difference, as between the House version and the Senate version of the bill, in terms of tons——

Mr. CLARK. I should be glad to discuss the tons later on, but at this timt I prefer to discuss the number of countries.

Mr. LONG of Louisiana. Numerically, more countries will receive quotas. But let me show the Senator from Pennsylvania some of the progress we made.

Mr. CLARK. I shall be very happy to listen to the Senator. But it is a fact, is it not, that the House version of the bill made assignments to 25 countries; and the President did not want assignments made to any countries; and the conference report makes assignments to 23 countries?

Mr. LONG of Louisiana. That is correct—that far. But, in addition, the House assigned temporary quotas, amounting to approximately 1,500,000 tons, I believe, to many of the countries which would receive quotas for the first time, and perhaps to some countries which already had had quotas assigned to them. The Senate conferees were successful in putting all the temporary quotas under the so-called global arrangement, for which the Senator from Pennsylvania voted, and for which I, too, voted, I may say.

Mr. CLARK. Nevertheless, is it not true that the House Committee on Agriculture proceeded to deal with a field which, in my opinion, at least, is one which should be exclusively a part of our foreign policy, and more or less assigned sugar quotas to 25 countries, over the objection of the administration; and the conference report assigns quotas to 23 of those countries?

Mr. LONG of Louisiana. Well, the conference report still provides quotas; but under the conference report the damage is not anything like as great as it was when we started out.

Mr. CLARK. I do not doubt that is true. Nevertheless, does not the Senator from Louisiana agree that the assignment of those quotas is a very delicate matter which affects the foreign policy of the United States?

Mr. LONG of Louisiana. Well, as the Senator from Pennsylvania knows, the President does not want any quotas at all assigned.

Mr. CLARK. If the President does not want any quotas assigned, and if we do not want any quotas assigned, I should like to have the matter dealt with, in the interest of the foreign policy of the United States, by someone who has considerable knowledge of this area and can deal properly with it.

Mr. LONG of Louisiana. When I said the President does not want any quotas at all assigned, I may say that the President recognizes that some of these countries have had quotas in the past, and were expecting to have them again. So, rather than cut them off immediately, the President thought their quotas should be phased out—reduced by perhaps 20 percent a year.

Mr. CLARK. However, certainly the President did not want countries which had not had quotas before to receive them now. Yet that is what the conference report does.

Mr. LONG of Louisiana. That is what the House committee decided, and that is what the House voted for. We did the very best we could to prevent the inclusion of new quota assignments in the conference report.

The Senator from Pennsylvania says we dropped only two countries from the list. But when we consider the impact on consumers, from the point of view of obtaining sugar at as low a price as possible, it is correct to state that for every ton we conceded under the premium basis, we managed to get 2½ tons removed from the premium basis. So we made a great amount of headway in the direction the President was advocating, and, I suppose, in the direction the Senator from Pennsylvania would advocate.

Mr. CLARK. Can the Senator from Louisiana state how many new countries were awarded quotas by the House, in the bill it passed, although they did not have quotas last year?

Mr. LONG of Louisiana. Fourteen.

Mr. CLARK. Was the Senator from Louisiana able to determine, as a result of the conference, what was the rationale for granting quotas to the 14 new countries? Is there some high foreign policy reason which affected the judgment of the House Committee on Agriculture? Did they think that provision would be to the advantage of the foreign policy of the United States; or was it simply the result of some gigantic lobby deal?

Mr. LONG of Louisiana. No, no one said the latter; and I suggest to the Senator from Pennsylvania that he would not have suggested that to the House members of the conference committee, if he had been one of the conferees, unless he wanted to break up the conference completely.

Mr. CLARK. I realize that the Senator from Louisiana is very brave.

Mr. LONG of Louisiana. Not brave, but I recognize the situation as it existed there. The House took the position that there is not a world surplus of sugar, and that, in fact, there may be a shortage. Having determined that, the House undertook to determine which sugar-producing countries were friendly to us and could be relied upon to supply us with sugar in the event we encountered trouble.

The Senator from Pennsylvania knows that there have been times when it was difficult to obtain sugar in the United States. During World War I, the price rose as high as 26 cents a pound, I believe; and at that time the dollar would purchase a great deal more than it will now.

But this was the best judgment which the House Agriculture Committee saw fit to give us, after that committee had had a chance to study the matter and confer with spokesmen for the administration and others. It was not my position; but let me say that if there had been a written record of what was said in the conference room, I believe it could be found that the House conferees expressed themselves—and with some considerable logic—in almost as complete disagreement with the logic behind the Senate's position as the Senate conferees expressed themselves in disagreement with the logic behind the position taken by the House—and much of it with considerable appeal to some groups. For instance, I refer to statements to the effect that the State Department could not be trusted to handle such matters in ways which would best protect the interests of the people of the United States.

Mr. CLARK. So the House committee members took the position that they were better able to handle the foreign relations of the United States than is the State Department, insofar as the allocation of sugar is concerned? Is that about what their argument boiled down to?

Mr. LONG of Louisiana. Yes; in some instances. I did not agree with that. As the Senator knows, we hear much criticism, from time to time, of our foreign policy; and it is very easy to pick out some phase of our foreign policy, and contend that in that connection the State Department is failing to protect the interests of the American people.

Mr. CLARK. How many of the 14 new nations which the House Agriculture Committee undertook to give quotas to are still going to get quotas under the conference report?

Mr. LONG of Louisiana. Twelve. Of course, some will not get as much as the House wanted to provide.

Mr. CLARK. So the Senate was able to cut out two?

Mr. LONG of Louisiana. Yes.

Mr. CLARK. Does the Senator recall which two?

Mr. LONG of Louisiana. Mauritius and Argentina.

Mr. CLARK. Could the Senator tell me what the rationale of the House was in not standing firm in insisting that Mauritius and Argentina should be given the same quota as those countries that some of us feel are not as deserving, and in not giving those countries the same treatment and most-favored-nation treatment?

Mr. LONG of Louisiana. I can only say that those of us on the Senate side

felt that if we could have, we would have taken them all out and would have reduced the premiums by 20 percent a year for all countries, even those historically getting them. We could not take them all out. Some of the countries receiving sugar quotas that are temporary or permanent under this legislation had reductions of as much as 90 percent as compared with what the House provided for those countries.

Mr. CLARK. It was my understanding that the Senator said a few moments ago there were slightly more than 2 million tons of sugar in global quotas as the Senate passed the bill, and that the Senate had come back with 1,600,000 tons intact. Is that correct? I thought I so understood the Senator.

Mr. LONG of Louisiana. That is my impression. I would like the right to correct that statement. Some of these figures may not be completely correct.

Mr. CLARK. But the Senator did make that statement?

Mr. LONG of Louisiana. Yes.

Mr. CLARK. I wonder how the Senator will reconcile that statement with the statement made by Mr. COOLEY, chairman of the House Agriculture Committee, as reported in the CONGRESSIONAL RECORD for June 30. He was addressing himself to the conference report and the Members of the House. He said:

> I point out to the House that more than 2 million tons allocated by the committee—

He is referring now to his committee—

> on this country-by-country basis, changes affecting only 135,000 tons of these allocations were made in the conference.

That would seem to me to be a little inconsistent with the Senator's position.

Mr. LONG of Louisiana. I would like to check the figures.

Mr. CLARK. Suppose the Senator takes time to check the figures. I am sure that later in the debate he will be able to give us the accurate details.

Mr. LONG of Louisiana. I have enough figures before me to compile a statistical index. This is a complicated subject.

Under the global quotas, there would be 1,635,000 tons.

Mr. CLARK. That is what the conference report provides?

Mr. LONG of Louisiana. That was what came out of conference. The House did not have any of it in its version.

Mr. CLARK. Going into conference, how much did the Senate provide?

Mr. LONG of Louisiana. I will try to provide the Senator with the figures.

Mr. CLARK. If the Senator will indulge me further, and this will be my last line of inquiry—the Senator from Louisiana has been very patient and very courteous, as he always is—I am interested at the grave concern of some of our colleagues about the failure to give an allotment of 10,000 tons to Argentina, which when the bill was passed last year was to help a struggling democracy rule, which now has—temporarily we hope—a regime permitted to continue in office at the sufferance of the military. Some of our colleagues have said much about the 10,000-ton quota, but I have not heard anything said about the Dominican Republic, and what might happen to that Latin American country, in which there has been a great effort by the people and a dictatorship has been ousted. The Dominican Republic now has a democratic system of government which it seems to me vitally needs the help of the sugar program of the United States, and yet nobody speaks out in support of the Dominican Republic.

I have an article in my hand from this morning's New York Times entitled "Dominicans Fear Internal Crisis Over Sugar Quota Cut by United States" which states:

> White House and State Department officials worked throughout the weekend here trying to avert a major crisis in U.S. relations with the Dominician Republic over this country's new sugar legislation.
>
> The new Sugar Act approved yesterday by the House of Representatives and scheduled for Senate action tomorrow would, in the opinion of Dominican officials, greatly reduce their sugar exports to the United States.
>
> The Dominican Republic, struggling to carry out a transition to democracy and to move toward basic reforms after three decades of dictatorship, fears that this would lead to an economic collapse and a political upheaval that would favor the pro-Communist elements in the country.

There is much more to the same effect, which I shall refer to later when I get the floor in my own right.

Was the plight of the Dominican Republic discussed in the conference at all, and why was not some quota adopted to help keep this Government in some shape, if we are going to help everybody else fighting on our side?

Mr. LONG of Louisiana. I wish the Senator would not hit me with these one-two attacks, one from the right and one from the left. The Senator mentioned Argentina. Our bill cuts out Argentina from a quota. Then the Senator comes back and attacks me with respect to the Dominican Republic, wanting it to have some of the quota.

Mr. CLARK. That is correct. My position has been inconsistent. So has the Senator's. The Senator and I both wanted to have no quotas; he came back with about 23 quotas, some for countries which do not deserve to have them; others may deserve them but are not getting them.

Mr. LONG of Louisiana. If the Senator will look at the amounts, he will see that we held two-thirds of what we went after. After all, in a conference, in order to get an agreement, we must give something.

Under the Senate version of the bill, the Dominican Republic would have had 111,000. Under the House version of the bill it would have 350,000. We came out with 190,000 tons, which is 160,000 tons less than the high figure of the bill. I suppose the Senator is now supporting the foreign policy of the House Agriculture Committee when it puts the Dominican Republic on the high side.

Mr. CLARK. According to the New York Times this morning, under the conference report the Dominican Republic would be awarded 190,000 tons annually, or 95,000 tons for the second half of 1962, which compares with 476,000 tons that the Dominicans exported to the United States in the first half of this year, as its share of the permanent quota and temporary assignment of the Cuban quota.

So it seems to me that what we are doing is a terrible economic slap in the face at the Dominican Republic. I do not want to argue with the Senator. My question is, was it discussed in conference?

Mr. LONG of Louisiana. The Senator is making a very misleading statement. The article the Senator read tends to mislead.

Mr. CLARK. I am glad the Senator is not accusing me of misleading.

Mr. LONG of Louisiana. From hearing this discussion, one would gain the impression that the Dominicans had a quota of 480,000 tons.

Mr. CLARK. No; the first half of this year.

Mr. LONG of Louisiana. They might have sent us that much, and I assume they did, but the fact of the matter is that they had a quota of only 111,157 tons. What this Nation bought over and above that was due to the fact that Cuba did not fulfill the allotment given to her.

Mr. CLARK. The same conditions obtain now.

Mr. LONG of Louisiana. The Dominicans can still sell us sugar over and above this quota. We are talking about what they sell us on a statutory premium price basis.

So far as selling sugar to the United States at the world market price is concerned, they can come in on a first come, first served basis and sell us a great deal more sugar than they did last year.

Mr. CLARK. I thank my friend for his courtesy.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield to the Senator from Minnesota.

Mr. HUMPHREY. I say to the Senator from Louisiana and to the Senator from Pennsylvania, it is not true no one was concerned about the Dominican Republic's sugar quota. I spoke out during the debate in the Senate on this subject. I called the White House in regard to it. I called the State Department in regard to it. I have been very much upset about the attitude which has been taken in some quarters concerning the Dominican Republic's quota of sugar.

A year ago the Dominican Republic was given a larger quota, out of the Cuban quota, under the premium price schedule. This year, under the terms of the conference committee bill, there is to be provided 190,000 tons of sugar under the premium price program. However, the Dominican Republic has more than 900,000 tons of sugar available for export.

A democratic regime in the Dominican Republic, not a dictatorship, a year ago increased the wages of the workers there about 300 percent. It did this because it believed the previous conditions with regard to labor in the sugar fields in the

Dominican Republic, under Trujillo, were unbelievably bad and literally resulted in slave labor. A new regime came into the Dominican Republic, following the ousting of Trujillo and his assassination. A new democratic regime took over. The new Government sought to benefit the workers. The new Government sought to provide better working conditions and better housing. The new Government tried to institute a sugar program under the kind of conditions which we in America say we favor—private enterprise with good working conditions.

The quota this year is to be larger than the assigned quota a year ago; but, because of the conditions prevailing a year ago, as a result of which the Cuban quota was reassigned under premium prices, the Dominican Republic was able to sell a large portion of its sugar to the United States.

I pointed out these facts last Wednesday. I filled the RECORD with documents which indicated the serious situation confronting the Government of the Dominican Republic.

I am happy to note the conference committee was more generous than the Senate as far as the quota for the Dominican Republic is concerned.

I believe it would have been well to restrain the quotas to the Western Hemisphere. That made good sense. I think it was a tragedy Argentina was not given a quota. I hope we can remedy this. We have a method for remedying it.

Argentina had no lobby. Argentina had no one representing it except its distinguished Ambassador. The plea was made to the State Department, yet Argentina got no quota whatsoever. Argentina needs a quota.

I wish to say, for Argentina, that Argentina is making a desperate effort to preserve constitutional government. Argentina should be given every opportunity to have some way to do something about its balance-of-payments situation. Argentina is a good customer of the United States.

I think it might be well to pay a premium price for sugar to our Latin American friends in order to encourage better working conditions. It is healthy to encourage industry in these countries under the private enterprise system. I might add, Mr. President, that the United States, as a party to the International Sugar Agreement, ratified by the Senate as recently as 1959, has recognized that the minimum sugar price which will permit the objectives of that document is 3.25 cents per pound, as set out in article 21 of the agreement.

I think the conference report has many features which are creditable. I agree with the Senator from Louisiana that one cannot get everything he wishes from a conference. It is perfectly obvious that, had the other countries not been included, it would have been necessary to go back to the old system. Every Senator knows that if we do not pass a sugar bill with some degree of permanency, next year we shall face even more trouble with regard to the domestic quota, more trouble with regard to what we call the growth rate under the domestic quota, with more refineries and more sugarbeets planted and less available for the foreign countries to sell to the United States.

Sugar is one of the commodities the sale of which permits the people of other countries to buy other commodities from the United States.

I think the conference committee rendered a good service under all the circumstances. It had a difficult assignment.

Is the domestic quota to be for 5 years?

Mr. LONG of Louisiana. The foreign quota is to be 2½ years. Actually, it is to be 4½ years for the domestic quota and 2½ years for the foreign quota.

Mr. HUMPHREY. Four and a half years and two and a half years.

Mr. LONG of Louisiana. Yes.

Mr. HUMPHREY. The domestic situation, relating to the beet and cane sugar growers in the United States, will be settled on a formula basis for 4½ years under the proposal. There will be an opportunity, 2½ years from now, to review the entire foreign quota problem without inclusion of the domestic problem in negotiations.

All during the process of preparing the sugar bill those who had responsibility for it worked hard. I make no bones about it; I did a great deal of work on it month after month, to try to get some order out of incipient chaos, to try to get the domestic producers to arrive at some realistic settlement which would be fair, which would provide a fair quota with regard to immediate availability of sugar and the growth rate for the future.

I worked with Myer Feldman at the White House, with the Department of Agriculture, and with the Department of State.

I support the conference committee report, with the thought we shall be able to amend it, in some other piece of legislation, to provide a quota for the Republic of Argentina. I think that quota is desperately needed.

I think also that the quota for the Dominican Republic is inadequate. I agree with what the Senator from Pennsylvania has said. This is a government which at this time needs to be able to furnish sugar to the United States under the premium price schedule.

I do not know whether the other quotas to be assigned are adequate. I do know that our neighbors in Latin America deserve some degree of stability of economic commitment. We have made commitments under the Alliance for Progress program. I think we could make some commitments under the sugar program. This would help.

So far as the other little areas are concerned, under the House bill—of which I have heard—I am not drawing any judgments. I would not have voted that way, but I know that our colleagues on the conference committee did what they could. I was close to our colleagues last Friday night on this subject. I know they did the best they could in the light of the circumstances they faced as conferees. If any Senator thinks he can have his way in conference, there is no use in calling it a conference. A conference is a give-and-take proposition. It involves a compromise.

I think the Senators did quite well. The amount of 1,635,000 tons was saved for global quota—only to find out now that the experts had testified it is imperative that something else be done for the Argentina Republic, Dominican Republic, and possibly Peru. I think these are facts we must face.

Mr. LONG of Louisiana. Mr. President, with reference to the Senator's statement, I, too, would like to see the Sugar Act based someday on the principle that if the nations involved will raise wage standards and improve living conditions of the people who work in the canefields, we will pay them more for their sugar.

Mr. HUMPHREY. Exactly.

Mr. LONG of Louisiana. Why do we have a Sugar Act? It is intended to make possible a minimum wage and decent hours for the people of our country. If there were no Sugar Act, wages of 60 cents and 80 cents an hour in this country, which have been so severely criticized, could not be paid. We could not meet the production cost of those who pay people 6 cents an hour in those fields.

I agree with the Senator that the proposal is the best we can do under the circumstances.

The Senator has touched on a subject about which I believe a point should be made. The best single provision in the bill is that the foreign sections will expire in 2½ years, and the sections relating to domestic production will expire in 4½ years. There are some Senators—and this Senator is one of them—who would like to fight all the way to make the sections relating to foreign production complete good sense and to support what seems to be a sensible foreign sugar policy.

We find ourselves in conference with an act expiring, as the present one has now expired. Anyone, including the Russians, who wishes to do so, can bring ships to our shores and unload sugar at a nice profit in the United States. There is no impediment to such action by Cuba, Russia, and other countries. There is nothing to prevent them from coming in unless the President should see fit to invoke the Trading With the Enemy Act or some other act of that sort. At present sugar is being diverted to American ports, where other nations will dump their sugar because they will have the advantage of a better price by putting it on the American market.

For the first time in 26 or 28 years we now have a situation in which anyone, friend or enemy, can pour sugar into our country on a first-come-first-served basis. It is essential that the act be renewed if for no other purpose than for the benefit of the working people and the farmers of the United States who produce sugar.

As I pointed out, we would divorce the two sections. We would have a part relating to domestic production, which would be separated from the part relating to foreign production, which would expire first. Then we could think about the domestic industries insofar as sugar

production is concerned, and we would be in a position to completely ignore any pressures that might be brought by House conferees, who for the most part represent Districts in which sugar is not produced.

Those individuals have insisted upon having things their own way. The Senate can be as tough as the House, and perhaps a little tougher. For the future we appear to have resolved that impasse. That result is one of the best provisions in the bill.

So far as the principle for which the Senator has spoken, I point out that the junior Senator from Louisiana voted to require the premium payment to be put back into the Treasury, when the proposal was offered by the Senator from Illinois a year ago. The only reason we lost at that time on the floor of the Senate was that the President was opposed to such a provision. I am frank to say that if we had managed to obtain it, we could not have gotten the House to agree to it. Now we have managed not only to get the provision in the bill but also to apply it to much of the sugar that is produced offshore. We have made a great deal of progress by having included a provision for gradual reduction in the premium.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. FULBRIGHT. Did I correctly understand the Senator earlier to state that he thought that the making of allocations of quotas in the manner in which they have been made was not a satisfactory method, and that the allocations probably should be made by the executive branch, since it was not a function of the legislature?

Mr. LONG of Louisiana. I think I said that if there were to be any allocations, the executive branch should recommend what they should be, and that unless the Congress should find some overriding reason for differing with the recommendation of the executive branch, it should accept the judgment of the Executive rather than try to write a foreign policy in the House Committee on Agriculture, or even in the Senate Committee on Finance. That is the way the Finance Committee has undertaken to do it throughout my service in the Senate.

Mr. FULBRIGHT. Would not the Senator agree that if there was ever a time in which to stop the practice of jockeying in the Committee on Agriculure and Foresty over a question of extreme importance in foreign relations, now is the time to do it? Although officially the allocations are made for 2 years, the Senator knows that a great many of the States to which quotas would be given are not now producing as much as the quota would allow.

Mr. LONG of Louisiana. I hope the Senator is not going to undertake to renew his fight against having any Sugar Act at all, because this Senator comes from a State in which a great deal of sugar is produced.

Mr. FULBRIGHT. I did not wish to raise that question. The Senator comes from one of the two States that are legitimate sugar producers. I have always made that statement every time the question has arisen.

Mr. LONG of Louisiana. I am glad that beet sugar is produced in some areas; otherwise we would probably be out of business now.

Mr. HUMPHREY. What does the Senator from Arkansas mean by "legitimate"?

Mr. FULBRIGHT. I mean a State that can compete on a legitimate economic basis without the outrageous subsidy that is being paid, the like of which we cannot find in any other area of our economy. While I do not know that it can now do so, probably the State from which the Senator from Louisiana comes could have been a legitimate economic producer of cane sugar.

Mr. LONG of Louisiana. I doubt that any State—even Louisiana—in our country could compete with Cuba if we were required to match their low wage standards.

Mr. FULBRIGHT. If we had arranged to protect the sugar industry, as we have done with respect to other agricultural commodities, on the same basis on which we deal with tobacco, rice, and other commodities, there would not have been a major economic problem. If a support price were paid to the sugar cane industry, the cost to the Treasury would not have been anything like the present cost. The Senator would agree to that statement, would he not?

Mr. LONG of Louisiana. My guess is that a beet producer today can compete as efficiently as a cane producer. In fact, I think it could be shown that in some cases high wages are being paid by the beet producers.

Mr. FULBRIGHT. Is it not correct that the cost of a beet sugar factory is far greater than that of a cane sugar factory?

Mr. LONG of Louisiana. Oh, yes.

Mr. FULBRIGHT. Much greater. Generally speaking, the industry did not start until the beet sugar producers were included in the bill, whereas the industry had started in Louisiana long before then. Is that not so?

Mr. LONG of Louisiana. Yes. The Louisiana industry was in operation for more than 100 years.

Mr. FULBRIGHT. That is what I meant by a legitimate economic industry. It was not a creature of the bill.

I wish to return to the impassioned plea of the Senator from Minnesota [Mr. HUMPHREY], who has suddenly become concerned about the Dominican Republic. I am concerned, too, about its political repercussions. I believe they probably grow out of mismanagement, in the way the bill has been handled by the House particularly. But the truth is that the Dominican Republic was not pleased with the bill in the beginning. Is that not true?

Mr. LONG of Louisiana. I do not think it was. I believe the Dominican Republic was not pleased with either bill.

Mr. FULBRIGHT. The truth of the matter is that under the Senate bill the premium price would have been paid on only 96,000 tons. Yet the Dominican Republic would have had an opportunity to share in the 2.6 billion tons of the global quota; and it is in the best position of any country to compete for that quota, is it not?

The Senator talked about the cost of production. The Senator from Minnesota made a great plea. I call attention to page 368 of the hearings, at which point appears a report of one of the largest producers of sugar, certainly outside the Trujillo properties, in the Dominican Republic. I read from a report of South Puerto Rico Sugar Co., three-fourths of whose business or production is in the Dominican Republic, although the company is named the South Puerto Rico Sugar Co.:

> The proportionately lower cost of making sugar in such large volume, plus larger sales in the United States, offset the effect of low selling prices in the world market. As a result, profit margins were the widest in 4 years, and operating income advanced 35.8 percent. Earnings before provision for taxes gained 58.1 percent. After U.S. and foreign income taxes at 51.1 percent, as against 56 percent in fiscal 1959–60, final net rose 75.8 percent. Net income in 1959–60 was before a net refund of $266,121 from employees' retirement plan, equal to $0.26 a common share.

That is the official report on the company. The president of the company testified before the committee, and he did not challenge the figures. That indicates that these profits were made at the world price after the premium had been retained by the president.

In other words, the large volume of production under the Senate bill, giving them a larger part of the global quota, would indicate, according to the report of the company, which is one of the largest sugar producers, that they would profit very well at the world price. In fact, it is so stated. These figures are shown at the world price.

It is very easy to talk about new housing and better wages, and so on. They have increased wages. Good for them. That would increase these figures by about $16 million. However, we are concerned with $245 million in payments from this country. That will not wipe out their profit by any means.

There is more misinformation spread about the pending bill than about any other bill that I have ever seen go through the Senate. It is complicated, of course. It is always brought to the Senate at the last minute. The argument the Senator has made can be advanced, because the bill is never brought here until the last week in the fiscal year. They never come to us with a bill in January or February. Does the Senator agree?

Mr. LONG of Louisiana. It is not for me to say, but it has always been my opinion that it is brought here at this late hour so that the House will be able to exert pressure on the Senate conferees.

Mr. FULBRIGHT. The Senator comes from the leading sugar-producing State in the country. I am glad to have him admit that this is not the proper way to deal with this subject, especially as a foreign policy matter; that the sugar should be allocated after consultation with the State Department and the De-

partment of Agriculture. Certainly those two departments should consult in a matter of this kind. I for one do not see any better time for doing it than now. Once the quotas are allotted, they will never be taken back. It could very well be used as a reason for breaching diplomatic relations if they were taken back.

Mr. LONG of Louisiana. If the Senator from Arkansas is in a position to override the House on this matter I would be glad to consider what he has in mind.

Mr. FULBRIGHT. I should like to have the Senate reject the conference report. If the House will take the Senate bill, all right. If they will not do that, let us take the House bill. I am confident the President will veto it. Then we would get rid of the matter at least temporarily.

Mr. LONG of Louisiana. If we reject the conference report, I know what will happen. We will have no Sugar Act. Furthermore, over a period of time we will have no domestic sugar industry at all. I know that the Senator from Arkansas would be pleased to welcome such a development. I would not.

Mr. FULBRIGHT. Oh, no. I have never said that I wanted to destroy a domestic industry. As I have said before, the bill should be handled as we handle a bill for any other agricultural commodity. I have said to the chairman of the Committee on Agriculture, "Why should not sugar be handled like cotton or rice?" Why should we not handle sugar in the same way we handle cotton or rice in the chairman's State and in my State? There i nothing comparable in our whole system to the way we handle sugar.

Mr. LONG of Louisiana. The fact that sugar is a deficit crop is one reason. I suppose it is fair to say that if we did not have an act to protect the domestic sugar industry, and if we were to put sugar on a completely free-trade basis, we would have no domestic sugar industry. At a time when there was a shortage and we did not have full access to the world market, as was the case in World War I, consumers had to pay almost 26 cents a pound. It would mean that under such conditions we would be paying over 50 cents a pound, the equivalent of what was paid during the First World War. The same thing can be said with reference to World War II. If we had no reliable supply of sugar, we would be placed at a great disadvantage. That is one of the reasons why it has been determined that we should continue the sugar industry in our country.

I have no doubt that if the conference report is rejected, and if what the Senator from Arkansas has indicated should happen, and we go back and tell the House, "We are not going to let you write a new section in the bill. You will have to take the general concept of the Senate bill," there will be no Sugar Act. The President would be compelled to act under the defense amendment; he would have to invoke that provision to preserve the sugar industry in this country, because preservation of that industry is important from the national defense standpoint.

Mr. FULBRIGHT. The Senator knows very well that what would happen, if we rejected the report, would be that there would be at least an extension for 60 or 90 days of the existing law until we were able to work out a bill. The Senator knows that very well.

Mr. LONG of Louisiana. I do not know any such thing. I wish I did.

Mr. FULBRIGHT. The Senator knows that the House has always taken a more intimate interest in the bill than has the Senate. It has insisted on initiating the legislation. It has called the tune ever since we have dealt with the subject.

Mr. LONG of Louisiana. The Senator will find that there is not a senior House Member of the conference committee who has very much sugar produced in his district. They can very well take the position of not wanting any law.

Mr. FULBRIGHT. How can the Senator explain their extreme interest in the bill if what the Senator says is the case?

Mr. LONG of Louisiana. I would not undertake to explain their position. I can explain my own position, and perhaps the position of the Senator.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. ELLENDER. In connection with what the Senator from Arkansas has said, as I pointed out earlier today, the Senate bill had in it the principle of recapturing the premium payments. We induced the House to adopt that principle. It is now in conference. In other words, we are recapturing these premium payments.

Mr. FULBRIGHT. To a limited extent.

Mr. ELLENDER. Ten percent for the remaining 6 months of this year, 20 percent for the next year, and 30 percent in 1964. That is 30 percent.

Mr. FULBRIGHT. Then it stops.

Mr. ELLENDER. That amount will be recaptured.

Mr. LONG of Louisiana. It stops because the act stops.

Mr. ELLENDER. Inasmuch as that principle has been adopted, it is my judgment that future Congresses will continue that principle.

Mr. FULBRIGHT. The bill does not go nearly as far as the Senate bill did. We phase it out completely in 5 years.

Mr. ELLENDER. The House bill had nothing of the kind in it. The House has accepted the principle that was included in the Senate bill.

Mr. HUMPHREY. We phase it out in 2½ years. That amounts to 30 percent of the premium payments.

Mr. LONG of Louisiana. Thirty percent.

Mr. HUMPHREY. Ten percent, twenty percent, and then thirty percent. That is a substantial phaseout.

Mr. LONG of Louisiana. The act expires then. If we then want to step up the phaseout, we will be in a position with respect to the separate foreign portion, and we will be in a much better position to insist on the Senate position when an expiration would mean that they would not get any premium. In 2½ years we would be in a much better position. What would happen otherwise, if we went back to conference, would be that we would be back in the position where the majority of the Senate would get hurt a great deal more than a majority of the House. The House would be in a better position to say, "If you do not take it, let us see how you can live with no Sugar Act."

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. HUMPHREY. I have heard a great deal said about the inefficiency of the beet sugar industry. I want the Senator from Arkansas to know that the Red River Valley of North Dakota and Minnesota, where we pay $1.11 an hour, can produce beet sugar as cheaply as any area in the United States. It is a matter of record that the land there is among the most fertile in the country. Each year we do not have a Sugar Act, and each year we go on an emergency basis, more and more acres will be plowed up and put into beets. When more land is put into beets, more refineries are needed. The result would be that, instead of 60 percent, the domestic allotment will be 70 percent, and at the same time we will jeopardize our relations with our Latin American friends.

I should like to go back to the discussion of the Dominican Republic. The world price of sugar 2 years ago was considerably lower than it is today. Last year it was higher than it is today. Last year the United Kingdom imported 450,000 tons of sugar from the Dominican Republic; this year, none. Why? They are getting it from Russia and Poland. Why? Because Russia and Poland get Cuban sugar. Castro is in the picture. That is one market gone for a friend of ours. Four hundred and fifty thousand tons of sugar from the Dominican Republic that used to find its way into the United Kingdom is gone today. Why? Because Mr. Khrushchev, through his connection with Mr. Castro, has the Cuban sugar. Any time Russia wants to undersell us with Cuban sugar, unless we have some kind of price arrangement made with their friends and associates, they can do so. We can buy sugar from the Soviet Union. The Soviet Union would be delighted to sell us some Cuban sugar. I imagine they would sell it far below 2.56 cents a pound. I imagine we could get it for 2 cents a pound. The Russians would like some American dollars. As a matter of fact, 70 percent of the entire Dominican Republic earnings come from dollar sugar.

Do we want to give the Dominican Republic money out of the Treasury in the form of grants of foreign aid, or do we want to let them have an opportunity to earn it? Here is a government which in 200 days has increased the wages of its workers 300 percent. It has adopted a minimum wage law. It has passed agrarian reform legislation. It has provided housing for low-income workers. It is a country which is in serious trouble. Why? Because of a severe limitation upon its sugar quota.

I am of the opinion that if the Senate should reject the conference report

which has been brought to us, even with all its inadequacies—and every Senator who was a member of the conference has expressed some doubt about it—we will be thrown into a no-man's land of utter economic chaos, as far as sugar is concerned. Any Senator who has beet producers in his own area will find out they will be terribly disappointed, and we will have more trouble. Furthermore, we will find the world markets will be manipulated by the Soviet Union, which has the largest bloc of sugar in the world—35 percent of the total sugar production. Give any country like the Soviet Union 35 percent of the total sugar production, with a market which is a so-called free market, and we will find what will happen to the market. Our Latin American friends will be put on the pin of Soviet imperialism, so to speak; they will not know what to do. Every one of the Latin American countries will be at the mercy of a market that is manipulated.

This is why I think our Government today is much more concerned about sugar quotas than it was last week. The sad facts have started to come out.

Mr. FULBRIGHT. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. FULBRIGHT. The Senator from Minnesota has stated some statistics which are at variance with the International Sugar Council report of April 1962. This report contains the sales, for example, of the Dominican Republic to the United Kingdom. The amounts are in metric tons. If they are translated into U.S. tons, the amounts would be a little higher.

The Dominicans sold to the United Kingdom 313,960 metric tons in 1959, 330,071 tons in 1960, and 236,215 tons in 1961.

Mr. HUMPHREY. And in 1962?

Mr. FULBRIGHT. The reason why the Dominican Republic has not sold to the United Kingdom in 1962 is that it has committed almost its entire output to the United States.

The Senator from Louisiana said that in the first 6 months of this year the Dominican Republic shipped 400,000 tons of sugar to the United States and had nothing left for the United Kingdom.

All the talk about the danger of Russia, and so on, is pure propaganda, designed to influence the Senate. There is no basis in fact for such a statement. The Dominican Republic has not sold 700,000 tons of sugar at any time to the United Kingdom.

I refer Senators to table 29 on page 31 of this report.

The Senator said that the United Kingdom—Great Britain and Northern Island—does not buy sugar from the Dominican Republic because they buy sugar from the U.S.S.R. or from Poland.

I ask Senators to refer to the table on page 88. That table gives the source of the imports by countries of origin from 1958 to January 1962.

The United Kingdom and Northern Island got from the U.S.S.R. exactly nothing in the way of refined sugar.

From Poland, in 1958, a total of 400 metric tons. In 1959, 37,014 tons; 1960, 15,087 tons; 1961, 11,212 tons; in January 1962, nothing.

That was refined sugar. Let us now consider the amount of raw sugar that was shipped.

Raw sugar, from Poland, in 1959, nothing; in 1960, 31,543 metric tons; in 1961, 88,699 tons; in January 1962, 15,956 tons.

That is not an appreciable amount when we consider that the United Kingdom is the largest single importer of sugar in the world. So it just is not so—this enormous takeover by the U.S.S.R. and Poland of the sugar market of the United Kingdom.

The Dominican Republic is not selling to the United Kingdom because it is selling that commodity to us at a higher price for the first 6 months. They got a premium on this year's sugar. I ask the Senator from Louisiana if that is not so.

Mr. LONG of Louisiana. Yes.

Mr. HUMPHREY. For the first 6 months.

Mr. LONG of Louisiana. Yes.

Mr. HUMPHREY. They were not pushed out by any flooding of the market.

Mr. LONG of Louisiana. They got a premium for it; but we certainly needed that sugar. If it had not been available, we would have been in bad shape.

Mr. FULBRIGHT. The Senator from Louisiana is not telling us that there was a shortage of sugar, is he?

Mr. LONG of Louisiana. If we had not had that sugar, we would have had to find it somewhere else.

Mr. FULBRIGHT. Argentina is one country that is a legitimate exporter of sugar.

Mr. LONG of Louisiana. But the Senator from Arkansas voted to cut them out.

Mr. FULBRIGHT. But the report which the Senator defends so vigorously eliminates Argentina and substitutes a country not now producing the amount of its quota, and which did not do so last year. Several countries named in this report have been given larger quotas than they produced last year, and were unable to fill the quotas they had last year.

Mr. LONG of Louisiana. That happened to be in the House bill.

Mr. FULBRIGHT. It is in the conference report. Some of those quotas are still larger than the amounts they can produce. What is being proposed is the creation of a new industry, an expanded industry, that has not been able to produce at levels which were assigned to them last year.

Mr. LONG of Louisiana. So far as the committee thought of that. Perhaps that is so in one case or two. But we are going only a small fraction as far as the House of Representatives went.

If the Senator from Arkansas had been more interested in getting a sugar act than in defeating one, and if he had been a member of the conference, he would have gone as far as we did. But if he had been interested in defeating the bill, he would have done what one other member of the conference did: he would not have signed the report; he would have hoped the report would not be agreed to.

I do not know what study the Senator has in mind for the domestic industry.

Mr. FULBRIGHT. We should do for sugar what we do for other agricultural commodities in this country. I do not know why sugar should have special treatment. I have said so a dozen times. Sugar ought to be handled by the Committee on Agriculture and Forestry, on a basis similar to that of other agricultural commodities.

Mr. LONG of Louisiana. The Senator from Arkansas made a statement a few years ago that we should get all our sugar from Cuba, and Cuba should get all its rice from us.

Mr. FULBRIGHT. If we had treated Cuba properly 10 years ago, Cuba probably would not be a Communist country today. The first time the Senator from Louisiana heard me say that was about 12 or 15 years ago. If we had had any sense at all, we would have treated Cuba in such a way that she would not have become a Communist country.

Mr. LONG of Louisiana. I suspected that Castro was a Communist long before the Senator from Arkansas did, because I was one of the first to favor cutting off his sugar quota.

The point is that we ought to be able to rely upon our own industry to produce our essential requirements for war purposes, if for nothing else. We have known what we must expect of the sugar industry. We know what it can do.

The Senator said we ought to sell rice. Every acre that produces sugar in Louisiana can produce rice. The rice industry would be in a fine fix now if we had made such a deal, because if we could not have produced our own sugar, we would be in a position to flood the whole world with rice. Then we would find it necessary to find some way to reduce acreage for rice.

Mr. HUMPHREY. By the way, Minnesota does not produce any rice.

Mr. LONG of Louisiana. And we would have been crying tears of bitter regret, to find out that we had destroyed our sugar industry and had run Arkansas out of the rice industry, and that here we were with no market for our surplus rice.

Mr. HOLLAND. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. HOLLAND. I thank the Senator from Louisiana for yielding to me.

Let me say that I am glad the Senator has gotten around to this point, because some Senators seem not to realize why the sugar program was initiated and why it is vitally important to our Nation and its survival.

In the case of sugar and in the case of wool, we have heavy deficits in those two vital commodities, alone; and we had heavier deficits in them when we began those programs some years ago.

So far as wool is concerned, everyone knows that in the event of war we must have warm clothing for the men in our

Armed Forces who engage in combat; so in connection with the wool program we have premiums for the production of wool; and of course we have to pay more to have it produced in the United States than to have it produced in places where labor is much cheaper and where, for other reasons, wool can be produced more cheaply.

In the case of sugar, insofar as the Nation as a whole is concerned, there is no vital food, other than sugar, in which we are faced with a deficit in production. So some years ago we began with this program—it began not long after World War I, and before World War II. We have had to step it up since then, because we discovered that we did not have an adequate production of sugar; and we know perfectly well that, with the changed conditions in Cuba, which is so close to our shores, we have an even more precarious problem confronting us now, in the event of war.

So I think that Senators who try to put the sugar production program and the wool production program—because they stand together—on the same basis as the programs for corn, wheat, tobacco, cotton, and rice—when all of us know that those commodities are produced in great abundance in the United States and that we have vast surpluses of them—expose their lack of understanding of a critical problem for our country.

I am glad this program is not handled by the Foreign Relations Committee, because some measures which have come from that committee have seemed to indicate that the Foreign Relations Committee was paying more careful attention to the problems of other nations than to the problems of survival of our own people, in time of world war.

The question of whether the program should be handled in the Committee on Agriculture and Forestry or in the Finance Committee is beside the point here. In the House of Representatives, the bill initiated in their Committee on Agriculture. So far as I am concerned, I feel, that every compliment and every commendation are due the Senator from Louisiana [Mr. LONG] and the other conferees who worked with him to bring out this conference report, which is by far the best conference report in this field which has been brought here in many years. So, instead of caviling about these questions, we should remember that we are happy and fortunate to have in this hemisphere other nations—which in the main are friendly to us—which can produce sugar at relatively short distances from our shores, as compared with the geographical position of other great producers of sugar throughout the world. So certainly we should place every emphasis on the point of giving friendly and generous treatment to those nations in this hemisphere. To do so is directly in furtherance of the Alliance for Progress program.

I am only sorry we did not do that in the case of Argentina. I am perfectly willing to go further in the case of the Dominican Republic.

But I certainly agree that the approach to this matter by the Senate and by the Senate committee was the better of the two approaches, and I emphasize that the Senate conferees are to be very warmly complimented.

I hope that without further debate the Senate will recognize that it is dealing with a problem vital to the survival of the Nation in the event of war, and will proceed to approve the conference report—after which I strongly hope, and I urge, that we take the steps necessary to meet the problem of our neglect of Argentina and our relative neglect of the Dominican Republic.

I thank the Senator from Louisiana for yielding to me.

Mr. LONG of Louisiana. I thank the Senator from Florida.

Mr. DOUGLAS obtained the floor.

PROPOSED TAX RELIEF AND EXPENDITURES

Mr. LAUSCHE. Mr. President, will the Senator from Illinois yield to me?

Mr. DOUGLAS. I am glad to yield for what I understand is to be a brief statement by the Senator from Ohio.

Mr. LAUSCHE. I thank the Senator from Illinois for yielding.

Mr. President, my fears are that we are at the threshold of a course of action recommended by certain institutions and economists to the Congress which seemingly will bring temporary relief to the economy, but forebodes dire economic difficulties in the future.

The talk is now intense about the need of an across-the-board tax reduction, knowing that such a reduction will create the largest peacetime deficit in the history of our country.

This alarming course is recommended in spite of the fact that we have had deficit operations in 25 out of the last 31 years; that the purchasing power of the dollar has dropped from 100 cents, in 1941, to about 46 cents, in 1962; that our gold reserves are being drained by our short-term international creditors; that we have ended the fiscal year 1962 with a deficit of at least $7 billion; that only a short time ago we passed legislation authorizing the United States, together with 10 other countries, to create a $6 billion pool of gold and hard cash, primarily to be available for draft by the U.S. Government to support its possible falling value; and that we in the Congress are in the process of considering a bill that would remove the silver support of our $5, $10, and $20 silver certificates.

Should we not give heed to what has happened in Canada as a consequence of deficit operations?

Should we not immediately direct our attention to the grave problems confronting the economy of Canada, in connection with which Prime Minister John Diefenbaker, through a five-point program, is attempting gallantly to save the Canadian economy?

The Prime Minister of Canada has increased the import tariffs; cut the amount that Canadians are allowed to spend abroad; raised interest rates, to attract foreign capital and reduce borrowing; and has announced a $250 million cut in his own budget.

But these drastic actions are not all that have been taken. Last May 2 he deemed it necessary to devalue the Canadian dollar, making it worth 92½ U.S. cents. Obviously the net result was that the prices of all things at home were raised, while the prices of things sold in the world market were lowered.

The problems of Canada resulted from a practice of spending more than it had available in money.

Since 1957, Canada has accumulated a deficit of about $2 billion; and that accumulation of a $2 billion deficit in 5 years would be the equivalent of a $42 billion accumulation in a similar time in the United States.

It is a fallacy to argue that Federal deficits do not create inflation. Can we forget the destructive erosion of the currency in Germany which resulted from the Government's spending more than the money it had available? Can we forget that a million marks were needed to buy a single sausage in Germany? Can we forget the experience of France, whose 20-cent francs were finally worth two-tenths of a cent, or that of the Italians, the Greeks, and the Romans, or that of any other country which resorted to the printing press in order to pay public bills?

It is rather certain that none of these governments which are still in existence will try it again—or, at least certainly not until new generations have had time to forget the damaging results produced when their federal governments interminably spent more than they took in.

In our country we have increased our debt, after World War II, from the low level of $255 billion in 1952 to approximately $300 billion in 1962 . This experience of not reducing the debt incurred in war in the protracted period of about 16 years is quite foreign to our past experience in this country.

Historically, our Government has pursued a policy of relatively prompt reduction of the national debt. Alexander Hamilton, in the earliest days of the Republic, set the tone for future generations. He argued that a national debt has a number of useful attributes, but that one of its foremost characteristics is that it could help a nation establish its credit rating among the nations of the world—if the debt were paid off with promptness. Over the decades, the debt rose primarily during wars and depressions, and fell largely in response to the basic philosophy that the national debt should be extinguished. Twenty-four years after the War of 1812 the debt was entirely paid off. In 27 years after the Civil War the debt was reduced by almost two-thirds; and in the 10 years after World War I the debt was reduced by one-third.

Since the last war we have had periods of unprecedented prosperity, but during those periods our national debt was not reduced. We did reduce taxes in 1953—all, in my opinion, to the ultimate damage of our national security.

Even without the proposed tax reduction covering the fiscal year of 1963, the prospects are strong that in that year we shall have another deficit of about $5 billion. With the proposed tax reduction, the deficiency would in all probability be around $12 billion.

Our Nation simply cannot stand that; the result would be a cheapening of the dollar; the accelerated flight of gold; the robbing of the annuitants, pensioners, and the humble posessors of life-savings. More frightening, however, is the possibility that we might have to follow the course of Canada by either devaluing the dollar or removing the gold support that now gives the currency of the United States some sense of stability.

Before this proposal of reducing taxes is acted upon, it ought to be given far deeper consideration concerning its ultimate implications to the economic security of our Nation.

My own opinion is that the proposal is bad and is not in the interest of either our economy or our security. The cure is worse than the illness for which a remedy is sought. Confusion would be piled on confusion.

The ancient Greeks in trying to climb to the heavens conceived a grandiose scheme. They proceeded to pile Mt. Ossa on Mt. Olympus and Mt. Pelion on Mt. Ossaffi thus, through that laborious process, they hoped to reach their goal. But when they finished their work, they found their problem was worse than when they began.

So will it be when this desirable but imprudent objective of reducing taxes without reducing expenditures is finished. Our economy and our security will be in a worse position than before the cure was applied.

Our citizens ought to have tax relief—but on a basis consistent with the security of our economy and our country. Let us eliminate imprudent expenditures, giveaway programs, the pyramiding of unneeded personnel on the Federal payroll. Thus we can reduce operating costs and make possible foreseeable tax reductions.

Repeated and increased deficits aggravated by the proposed tax reduction are not the way out of our troubles.

I repeat that increased deficits are the cause of depreciation in the purchasing power of the dollar.

I submit to my colleagues that we would cure a temporary condition by a proposed tax reduction that would create, in 1963, a deficit of $14,500 million.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. Mr. President, I hesitate to decline to yield to any colleague, for I know I have no particular claim to the floor. But it so happens that I have been waiting for several hours. I prefer to have the debate confined to the sugar bill, rather than to turn to other matters.

However, if my friend, the Senator from Tennessee, has a deep and burning desire to speak at this time——

Mr. GORE. I do have.

Mr. DOUGLAS. Very well; then I cannot resist the request of the Senator from Tennessee, and I yield to him. But I hope that in the interest of comity, he will exercise some restraint.

Mr. GORE. I shall try.

Mr. LAUSCHE. I yield for a question.

Mr. GORE. Will the Senator repeat his last sentence? Would we provide a temporary cure?

Mr. LAUSCHE. Yes. My position is that a temporary cure would be provided by reducing taxes, but that the cure would be worse than the evil it remedied.

Mr. GORE. With no assurance that it would work.

Mr. LAUSCHE. The tax burden would be decreased by $9½ billion, for the next fiscal year.

Mr. GORE. This is advocated on the ground that it would put money in the spending stream. Does the Senator feel any assurance that many people, both at home and abroad, would not regard this as an act of desperation? It might drive more money out of the spending stream than it would put into it.

Mr. LAUSCHE. The Senator has stated more clearly that I have been able to state the very thing I fear. I am of the belief that if we reduce taxes in the manner recommended, the very opposite from what we expect is likely to be the result; but even though it would produce a temporary cure, even though it would put money in the spending stream——

Mr. GORE. Without driving more out.

Mr. LAUSCHE. Yes; the piper would have to be paid. We would have to pay for the music, and the price that we would have to pay would be far greater than the benefits that would be received.

Mr. GORE. Without trespassing upon the time of the distinguished Senator from Illinois, I say to the distinguished Senator from Ohio that I share his concern. It may be that the economy needs a spur, though I notice that many aspects of the economy are making new records. Automobiles are selling at a rapid pace. Building is breaking all records. It may be that the economy temporarily needs a spur. If so, there are many ways to do it without making big tax cuts which would bring about huge deficits that would shock this country and might shock the economies of other countries.

Mr. LAUSCHE. I shall conclude my remarks by saying that once there was a theory, "Spend in accord with your income." Subsequently the theory was adopted, "Spend more and more, and tax less and less." It cannot be done. It can lead only to disaster.

SUGAR ACT AMENDMENTS OF 1962—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee on conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Mr. DOUGLAS. Mr. President, we all recognize the difficult task which faced the Senate conferees. They were dealing with a tremendous subsidy to foreign producers and a big bonus to domestic producers which had been paid over a long period of time; and those who had made a profit at the expense of the American consumers naturally did not want to give up this subsidy.

The Senate conferees were also dealing with a powerful House committee which in the past has called the tune on sugar legislation.

I, too, feel that the Senate conferees not only did the very best they could, but they did better than I feared they might be able to achieve. But they did not do as well as I had hoped they might achieve. I think the issue at stake should be clearly recognized by the public, the Senate, and the press.

With the world price of raw sugar at 2.7 cents a pound, and with the tariff and freight cost to New York at nine-tenths of a cent, and it is possible, to lay down raw foreign sugar along the Atlantic seaboard at a cost of approximately 3.6 cents a pound.

Mr. HOLLAND. Mr. President, will the Senator yield at that point?

Mr. DOUGLAS. I yield.

Mr. HOLLAND. Did not the Senator recognize the other day in a speech the fact that with any considerable demand for this so-called world surplus, the so-called world price would rise considerably?

Mr. DOUGLAS. It would probably go up. How much it would go up is a question. But the domestic price is now 6.4 cents. Therefore, there is a bonus of 2.8 cents a pound or $56 a short ton above the world price which is paid to foreign producers and also to domestic producers.

Slightly less than 10 million tons of sugar are consumed inside the United States, 60 percent is produced inside the United States, and approximately 40 percent is imported, of which roughly 1 million tons comes from the Philippines, and slightly less than 3 million tons from outside this country excluding the Philippines.

This means that with a bonus, a premium, or a subsidy of $56 a ton, the total bonus which the domestic consumers pay amounts to approximately $550 million, $330 million of this goes to the domestic producers, $220 million going to the foreign producers. And of these foreign producers, approximately $60 million goes to the Philippines, regulated under a treaty and outside the scope of this legislation. Therefore, a $160 million subsidy is paid to countries other than the Philippines.

As Senators know, the Senator from Illinois has been maintaining for several years that this bonus, premium, or subsidy to foreign sugar producers should be done away with.

I am frank to say that, as one who believes in low tariffs and as one who in general believes in the much vaunted free market, I have not been happy about the $330 million paid to domestic producers, but I did not propose to attack it, because I believed it was politically impossible to do so. The strength both of the cane sugar States and of the beet sugar States was such that, as a practical matter, we could never reduce the subsidies, at least at this time. But I did think it possible that we could eliminate the subsidies paid to foreign producers, and buy sugar at the world price, and put into the U.S. Treasury the fee which would be the difference between the world price and the domestically maintained price but which now goes as a subsidy to the foreign producer.

Mr. GORE. Mr. President, will the Senator yield at that point?

Mr. DOUGLAS. I yield.

Mr. GORE. Is that not what is done in the case of lead and zinc?

Mr. DOUGLAS. I am not certain.

Mr. GORE. A tariff is imposed on imports of lead and zinc; is it not?

Mr. DOUGLAS. Yes.

Mr. GORE. If buying at a premium price is a good principle, why could we not do it in the case of lead and zinc, in the case of oil, and in the case of many other commodities? What is the point of passing a reciprocal trade program? Let us buy what we need on a quota basis and at a premium price. Then we shall really be there.

Mr. DOUGLAS. Perhaps there is some merit in what the Senator has said.

Last year, as we know, the Senate Committee on Finance, by a unanimous vote, adopted the amendment which I offered to pay the fee into the Treasury. We came to the Senate with it. It met with the opposition of the foreign sugar producers and their lobby, and it met with the opposition of the State Department, which convinced the administration that the administration ought not to support it. Of course, in the background there was the opposition of the distinguished chairman of the House Committee on Agriculture.

As a result, we lost the fight on the floor of the Senate, and the system of paying domestic American prices for all the sugar imported was continued for a year and a quarter. So, for the past 2 years, foreign producers have been able to receive the domestic price for sugar, which results in a subsidy, outside the Philippines, of approximately $160 million a year, or a total of at least $320 million for 2 years. Having received these sums, naturally the foreign producers do not wish to give them up. Having drunk some of the economic lifeblood of America, they do not wish to give up drinking this economic lifeblood.

Mr. GORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield.

Mr. GORE. What about the nations which are to be cut in, which have not had this sip of our blood?

Mr. DOUGLAS. These nations see others drinking the blood, so they wish to share it.

Mr. GORE. Does the Senator know who owns the refinery in Ireland?

Mr. DOUGLAS. I do not know.

Mr. GORE. Why is Argentina to be cut out and Ireland to be cut in?

Mr. DOUGLAS. I do not know.

Mr. GORE. Does Ireland produce enough sugar for her own needs?

Mr. DOUGLAS. No; but I think there is a product known as chocolate crumb which Ireland feels she could export to the United States.

Mr. GORE. All the argument about Argentina being cut out and other nations being cut in illustrates how unsound it is to pass legislative quotas on this product.

Mr. DOUGLAS. The House included nearly every producing country.

I noticed, at the end of the hearings, that certain areas had been omitted. I asked if any one of those areas was represented either in person or by a lobbyist. I asked if there was anyone from the New Hebrides who wished to testify; or anyone from the Canary Islands; or anyone from the Azores; or anyone from the beautiful rocky island of Tenerife or Tristan de Cunha; or anyone from Christmas Island, where the mutineers from the *Bounty* went; or anyone from Norfolk Island, which used to be a penal colony; or anyone from Easter Island, which was the religious center of the Polynesians with its magnificent statues.

They did not appear, so they were left out.

I dare say that if those islands had had representatives around they would have been included, but they failed to get in on the distribution of the pie, or the drinking of the blood. The rite known as the drinking of the American blood is the exploitation of the American consumer.

Mr. President, a great deal of trouble was caused last year by the failure to purchase sugar at world prices. We built up many countries and many sugar producers, who demand as a right what was given to them as a privilege. They had no right to the extra bonus, subsidy, or premium. It was made perfectly clear on the floors of the two Houses of Congress that the allotment was temporary. We have checked with the State Department, and the State Department assures us that all those countries were told that the allotment was merely temporary, and that there was no permanent commitment by the United States. Nevertheless, these countries now say, "We have had it. We are entitled to it. If you do not continue to give it to us, we will go to the Communists or we will break away."

Mr. GORE. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. HICKEY in the chair). Does the Senator yield?

Mr. DOUGLAS. I am glad to yield.

Mr. GORE. They make a more dire threat than that. The Dominican Republic, according to the New York Times, said last night that it would quit accepting our aid under the Alliance for Progress program.

Mr. DOUGLAS. That would be a very severe penalty. We would indeed have our feelings grievously hurt by this terrible threat.

Mr. GORE. This has driven certain people into a "tizy." One country is going to quit taking our aid unless we give it a sugar bonus also.

Mr. DOUGLAS. I believe Mr. Nehru said he might become so aggrieved with us that he would refuse to take our aid.

Mr. GORE. And the President of the Philippines says that he will not come to visit us until we pass a bill he favors. Is this not a wonderful world?

Mr. DOUGLAS. I do not think either the Senator from Tennessee or the Senator from Illinois is demagogic, when we raise these issues.

I wish to maintain the point that these countries were not given a vested right. It was purely a gratuity, and in my judgment a mistaken gratuity, which, once given, has been claimed by its recipients as a right. An appetite developed in this way breeds an increased desire.

This year we succeeded in convincing the Senate, with the support of the administration that the principle we advocated was right. I think the Senate made a very wise decision. It allocated the roughly 2½ million tons of Cuban sugar for purchase on a global basis at world prices. Thereby we expected to save approximately $140 million. On the remaining 330,000 tons, given to those countries which had quotas before Castro, the premium quota payment or fee was to be continued but was to be phased out over a 5-year period; 20 percent off the first year, 40 percent off the next year, 60 percent off the next year, 80 percent off the fourth year, and completely terminated in the fifth year. Eventually, these relatively small additional amounts, too, would be purchased at the world price.

Then they would go upon the world price basis. At the end of the 5 years we would be saving not $140 million a year but approximately $160 million a year. The average for the 5 years would be $150 million a year, or a total of about $750 million in 5 years.

Some may say, "That is not very much." It is three-quarters of a billion dollars. That is quite a bit.

The ability of the United States to stand the burdens of these subsidies is not unlimited. We are the strongest Nation in the world, but our strength is not unlimited. We are in grave difficulty, as the Senator from Ohio has said, because of an unfavorable balance of payments. We can save, in 5 years, $750 million which otherwise would go overseas. Certainly, if other things are equal, that is worth doing.

We know that when our conferees went to conference they faced a very difficult situation. The House was wedded to the idea of foreign subsidies. I do not know why, but it was.

I am sure the conferees of the Senate did the very best they could. I am willing to give them a decoration for bravery—not the Congressional Medal of Honor; not even the Navy Cross or the Silver Star; but I would be willing to give them the Bronze Star, which is a fine decoration for bravery and for good performance under fire.

The conferees have brought to the Senate a bill which, in the initial year, would save for the Treasury of the United States not the $140 million or $144 million for which we had hoped, but roughly $100 million. The 1,635,000 tons would be purchased at the world price, at a savings of $56 a ton. If my hurried multiplication is correct, that would be a little more than $91 million a year. On the remaining 1.2 million tons, there would be a decrease in the premium price, fee, or subsidy of 10 percent the first year, of 20 percent the second year, and of 30 percent the third year. My figures, roughly, are that the total sav-

ings the first year would be a little short of $100 million and in the third year would be a little more than $110 million.

This would be better than the present situation. I point out, however, that at the end of a 3-year period 22 countries still would receive a price roughly 70 percent above the world price.

It would provide a subsidy not of 2.8 cents a pound, but of 2 cents a pound, or $40 a ton.

I should like to point out what the subsidy would be for the first year. I shall read the list by countries.

The total subsidy provided for Peru on a 190,000 ton basis in the first year would be $9,576,000; for Mexico, $9,576,000. For the Dominican Republic the total subsidy would be $9,576,000; for Brazil just over $9 million; for the British West Indies over $4.5 million; for Australia $2 million. Incidentally, Australia is inside the British system and would get a premium price for selling sugar if it should sell sugar to the British Commonwealth.

The total subsidy to the Republic of China would be just under $1.8 million. The French West Indies, who are under the French system, would receive $1.5 million, as would Colombia. Nicaragua would receive $1,260,000; Costa Rica $1,260,000; India, our dear friend, $1 million; Ecuador, $1,260,000; Haiti, $1 million; Guatemala, $1 million; South Africa—that bastion of racial tolerance—$1 million; Panama, $756,000; El Salvador, $504,000; Paraguay, $504,000; British Honduras, which is inside the British system, $504,000; The Netherlands $504,000; other countries, $576,000.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I should like to complete a sentence and then I shall be happy to yield.

All other countries would receive a total of 11,000 tons. I think we will find that Ireland, Mauritius, and Argentina will get in under the wire and be admitted to the holy convocation after a time.

I yield.

Mr. MORSE. I understand that the Union of South Africa receives an American subsidy.

Mr. DOUGLAS. The producers in the Union of South Africa would be given 20,000 tons, which in the first year, at $56 a ton, would result in a subsidy of over $1 million.

Mr. MORSE. Does the record anywhere give us the reasons why the Union of South Africa is to be included in the sugar quota?

Mr. DOUGLAS. A representative of that country testified. I was not satisfied with his statement, but it had a witness present. In short, it wants the subsidy.

Mr. MORSE. Was that the sum and substance of the testimony?

Mr. DOUGLAS. I think so.

Mr. MORSE. Was he able to show any obligation of any kind?

Mr. DOUGLAS. We have no obligation to any of the countries involved, with the possible exception of the eight countries which had quotas when Cuba had and used its quota. We were gradually cutting and phasing them out, and I did not object to that. I did not wish to see the quota taken away all at once. But South Africa was not one of those countries.

Mr. MORSE. Does the record show anywhere a need for extending the subsidy to any of the countries other than the original eight countries to which we have been granting a subsidy?

Mr. DOUGLAS. I think probably on political grounds a case could be made for the Dominican Republic. The case of the Dominican Republic has been overstressed in the last 2 days, but I believe a case could be made for assistance to the Dominican Republic.

Mr. MORSE. We have been of some assistance to the Dominican Republic for how many years?

Mr. DOUGLAS. In 1960 President Eisenhower very wisely suspended the premium paid to the Dominican Republic when it was ruled by Trujillo. I think approximately $22 million in subsidies was impounded and paid into the Treasury. Then when a democratic government was established, the premium payments were resumed. The Dominican Republic is now suing to obtain the $22 million, claiming that that was a right which should not have been taken away from it, and that as the inheritors of Trujillo they are entitled to get it. I do not think that country has any case whatsoever in law. If the case were in the courts, I am sure it would be defeated. But they then went to the House and obtained recognition from the House of the claim for $22 million. But, thank the Lord, a provision for that amount of money is not in the conference report as it has come to us. I congratulate the Senate conferees for having that provision eliminated.

Mr. MORSE. Mr. President, will the Senator yield for a question?

Mr. DOUGLAS. I yield.

Mr. MORSE. The Senator has referred to a claim on the part of the Dominican Republic for a quota as a matter of right Does the Senator know of any case involving any country in which the country as a matter of right has a legitimate claim to a continuation of the subsidy?

Mr. DOUGLAS. No; I do not think there is any case in which, as a matter of legal right, the United States is bound to continue to pay the subsidy of $56 a ton. It may be, in the case of the 330,000 tons which went to the eight countries which had quotas when Cuba had a quota, that the bonus payments should be removed gradually, as was provided in the Senate bill. But it should not be enlarged.

Mr. ELLENDER. The conference report so provides.

Mr. DOUGLAS. The conference report would only taper off the subsidy. It would not eliminate it. The great merit of the Senate bill was that, at the end of the operation of the Senate bill, the subsidy would have been gone completely. But the present provision would leave the subsidy at 70 percent at the end of 3 years, and if present prices prevail, that would amount to a subsidy of 2 cents a pound, or $40 a ton.

Mr. ELLENDER. The Senator realizes that, insofar as the foreign elements are concerned, the bill will expire in 2½ years.

Mr. DOUGLAS. Yes; I understand that.

Mr. ELLENDER. When we reinstate it, we can continue the gradual cutting off.

Mr. DOUGLAS. We can, but will we? There is the whole point. Last year, when we continued the practice, it was said, "This is not a permanent assignment. Next year we can change it."

But this year the countries involved are more determined, more rapacious, more avaricious, more demanding, and more insistent that we continue the subsidy. We built up appetites which demand more and more. The time to have ended the practice was last year; or, rather, in 1960 we should not have started it. But last year perhaps we could have stopped it.

A great responsibility for continuing it last year rests upon the State Department and the man who then headed the Latin American Division, Mr. Thomas Mann, who, I notice, is up for promotion today. A great responsibility rests on those people for perpetuating the system for another year and a half, getting us in deeper and deeper.

If we continue the practice for another 2½ years, even at 70 percent of the premium, I do not believe we will ever get rid of the program, because then the countries will have been getting the subsidy for 5 years.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. HUMPHREY. Is it not a fact that the House bill did not include the tapering off feature?

Mr. DOUGLAS. That is true.

Mr. HUMPHREY. This is the first time we have ever been able to get the House to agree on a stated period of time under a schedule for phasing out the premium payments.

Mr. DOUGLAS. Yes. I said I think we have attained in compromise approximately 60 percent of the Senate bill. But there are grave abuses which continue and which we need to recognize.

Mr. HUMPHREY. The Senator is correct. But I believe the point that can be made with reference to the conference report is that certain breakthroughs were made on fundamental principles, such as, first, phasing out of the premium payments. Second, a long-term program for domestic producers, thereby stabilizing that particular situation, which was being aggravated every year. Third, the establishment of the principle of world quotas under an apportionment of the so-called Cuban allocation.

So if we take a good look at the situation, I think we have made substantial progress. My worry is that if we reject the conference report, we shall have nothing.

Mr. DOUGLAS. At the moment I am not saying that the Senate should reject the report, although I expect to vote against it. I should like to emphasize this point, and I hope the Senator from Minnesota will not take it amiss. The

Senator from Minnesota and I have fought side by side for 15 years on the hustings and on the floor of the Senate. I hope we shall continue for a long time to fight side by side. He is a terrific fighter. I must say, however, that his idea that the way to help the poor peons abroad is to give a sugar subsidy to the plantation owners does not square with his domestic political beliefs. In his political career at home he has always advanced the Democratic theory that the way to build up the prosperity of the Nation is to do it from the bottom up; that we should help people at the bottom so as to build up purchasing power. I never heard my good friend advance the Republican theory of trickle down that he is now advancing with respect to foreign sugar policy. He says we should give the subsidy to the plantation owners; that then they will pass it down to the peons at the bottom. The Senator from Minnesota should be consistent, and he should adopt the same foreign policy and the same foreign economics that he advances so vigorously at home.

Mr. HUMPHREY. I know the Senator will not deny me a chance to respond.

Mr. DOUGLAS. I could not do it even if I so desired.

Mr. HUMPHREY. I appreciate the Senator's wise understanding. I say to the Senator that the program which he is advocating is that we should buy each pound of sugar that comes into this country at the world price, and let the lowest bidder get the business. This would jeopardize wages in many countries.

Mr. DOUGLAS. I should like to reply to my friend.

Mr. HUMPHREY. We know that workers' wages in some of the countries have been increased.

Mr. DOUGLAS. They have been increased to some extent. However, let me read some of the wages.

Mr. HUMPHREY. We do not have any evidence that the global quota system on a universal basis would do the job. The Senator from Minnesota is not opposed to a trial of the global quota system. He is trying to recognize some of the facts; namely, that when we exclude a country like Argentina, while other countries are included, we are getting into trouble. We have a treaty with the Philippines under which we would take 1,050,000 tons at a fixed price. We will pay the Philippines one price, and then we will tell the people of Argentina, "Sorry, but we cannot help you."

Mr. DOUGLAS. The Philippine quota is fixed by treaty.

Mr. HUMPHREY. That does not change the price situation. The benefit trickles down in the Philippines, too. I am not in favor of the trickle-down theory. I am trying to preserve a system that has had some credibility. One of the stable commodities in the United States has been sugar, in terms of price. I have not heard many customers complain about the price of sugar.

Mr. DOUGLAS. Oh, yes. The price has been fairly stable, but the price has been set higher than the world price and kept there.

Mr. HUMPHREY. Of course it has been higher than the world price.

Mr. DOUGLAS. About 2.8 cents a pound more than the world price, or $56 a ton. The Senator has been weeping copious tears about the workers on the plantations. Let me tell the Senator about those wages. I knew that he or some other Senator would raise that issue on the floor. Therefore, some time ago we sent cablegrams to our embassies in various countries and asked what the wages were. Let me read some of them.

Mr. HUMPHREY. Before the Senator reads them, I wish to say to him that I do not weep copious tears about this situation. I am dry eyed about it. I am not worried about whether we will get a better deal by having the Government recapture the premium. What the Senator from Minnesota has stated is that the conference report is a good beginning toward solving a difficult problem. I say to the Senator from Illinois that if the conference report is defeated—and apparently that is the purpose of some Senators—chaos will result in the sugar market. It is as simple as that. Let us not get a great deal of minutiae into the discussion. I have heard a great deal said about the inefficiency of the sugarbeet producer. In Minnesota we pay $1.11 an hour.

Mr. DOUGLAS. I say to my very dear friend from Minnesota—and I do not use that adjective sarcastically—that the wage of a field hand in Peru last year, on the basis of an 8-hour day, ranged from 19 cents an hour to approximately 27 cents an hour. In Haiti, it was 10 cents an hour. In Costa Rica, it was 14 cents an hour. In the Dominican Republic, about which the Senator has been speaking, it was 25 cents an hour.

Mr. HUMPHREY. That was last year?

Mr. DOUGLAS. Yes. In the Republic of China, it was about 12½ cents an hour. In Mexico it ranged from 12 cents to 20 cents an hour. In Nicaragua it was 27 cents an hour. In Panama, it ranged from 12½ cents to 22 cents an hour. I am translating day wages to hourly wages in terms of an 8-hour day. If it is a 10-hour day, the hourly rate is less. In Brazil it was 19 cents an hour. In Argentina, it was a little less than 25 cents an hour. Ecuador, 15 cents an hour. Guatemala, 10 cents an hour. British West Indies; in Barbados, about 37 cents an hour; in Trinidad, 27 cents an hour.

The plain facts are that not much of the prosperity of the planters trickles down to the workers. It is a well-known fact that with some exceptions—Mexico and Costa Rica are the best examples—land is tightly held by a relatively small group. Sugar milling is even more tightly concentrated. The result is that the profits go to a relatively small group of people who own the mills, and to some of the bigger plantation owners. The men who cut the cane get very little out of it. The big plantation owners then send their money abroad. They put their money into numbered accounts in Swiss banks. That is where most of the money would go. It would go into the Swiss banks. Then the plantation owners send their lawyers up here to say that it is absolutely necessary for the stability of the government that they continue to get these enormous sums.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am very glad to yield to the Senator from Oregon, who, as we know, is chairman of the Latin American Subcommittee of the Committee on Foreign Relations, and therefore knows a great deal about the Latin American situation.

Mr. MORSE. The Senator is very kind, but I do not know very much about it, or I would not be asking these questions to elicit information. Can the Senator from Illinois tell me what the percentage of our sugar imports would be under the conference report for which we would not pay a premium price?

Mr. DOUGLAS. Excluding the Philippines, about 60 percent would not be at the premium price.

Mr. MORSE. That would be on the world market.

Mr. DOUGLAS. Yes. With respect to the remaining 40 percent, it would taper down by 10 percent a year. Therefore, at the end, 40 percent of the imports will be at 70 percent of the premium price or subsidy.

Mr. ELLENDER. No; it is 10 percent, 20 percent, and then 30 percent.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. DOUGLAS. Of course, I am excluding the Philippines, because that situation is governed by treaty.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. ANDERSON. I apologize to the Senator from Oregon. I wish to enter into the debate with one observation. The Senator from Illinois was a little worried, as I was worried, that the imports taper down so slowly; namely, 10 percent a year for a couple of years.

In connection with the one portion of the conference in connection with which I was permitted to sit in, because one of the conferees had to be absent, as the Senator from Louisiana knows, I suggested that we go ahead with cutting down the allotment to 20 percent, as the President had suggested.

We got absolutely nowhere. We found ourselves in complete disagreement. Later I suggested we take 10 percent the first year and 15 percent for 6 years, and accomplish the program in 7 years instead of in 5. Here again we ran into an absolute stone wall. Finally, we agreed on 10 percent.

I agree with the Senator from Illinois that it is not sufficient but when we get into this kind of situation, we do the best we can in the final analysis.

Mr. DOUGLAS. I wish to make it clear that I am not blaming the committee we sent to conference. They had a difficult problem to solve. I can never understand why the House conferees continue to insist upon paying foreign producers these huge subsidies. I can-

not understand it; yet I recognize that it is a fact of life.

Mr. ANDERSON. We had hoped that at the end of 3 years it would be a total of 60 percent, but it came out a total of 30 percent. We tried all sorts of other figures, and it became impossible. We insisted that the principle of the Douglas amendment be maintained. I appreciate that we did not accomplish all we had hoped to, but that was sometimes hard to do.

Mr. MORSE. Mr. President, I was glad to hear the Senator mention in his discussion the problem of the Latin American oligarchs. We all know that one of the great handicaps which confronts us in the whole Alliance for Progress program is that as the American Government pours more of the money of American taxpayers into Latin America, aimed at helping the economic and productive power of Latin America, which is essential to raising the standard of living of most of the people, we are confronted with the obstacle of the economy policy of the oligarch.

Mr. DOUGLAS. That is correct.

Mr. MORSE. The oligarch in Latin America is not, by and large, investing in the economic future of his country, but, as the Senator from Illinois has pointed out, is investing in Swiss and New York banks. What happens is that we, as taxpayers, are really assuming the burden that ought to be assumed by the wealthy of Latin America.

Has the Senator from Illinois given any thought as to whether, if we are to continue these premium payments, we can insist upon certain strings being attached in regard to tax reforms, for example? It would be interesting, if we had the data, to have the Senator read not only the figures of the wages paid the workers on the plantations, but also to read a statement of the taxes paid by the sugar plantation owners into the treasuries of their respective countries. I do not have such information. I think the Senator from Illinois would find it at least surprising and disappointing that we are dealing with an economic class which, by and large, does not begin to pay the taxes which their ability to pay warrants.

So we are saying, in the whole Alliance for Progress program, "We will help if you will help yourselves. When we speak about helping yourselves, we mean we will take a look at your tax reform program, your land reform program, your health program, and your education program."

On a problem such as this, I think we must either fish or cut bait. So I ask the Senator from Illinois: Is there any way, in his opinion, whereby we can attach to the premium payments for sugar some reciprocal self-help obligations on the part of the countries concerned; that we can get some kind of assurance or guarantee in respect to wages, in respect to taxes, in respect to preventing the flight of capital out of their countries? We must remember that if the oligarchs of Latin America continue to take their capital out of Latin America and put it in New York and Swiss banks, we have one of two choices: The first is to let their countries go down to communism—which, in my judgment, will happen in many of those countries in the next 10 years.

Mr. DOUGLAS. And which the oligarchs are indirectly helping to accomplish.

Mr. MORSE. Certainly they are not preventing it. Second, whether we will let that happen or will continue to pour the largess of the American taxpayer, through the Alliance for Progress program, into Latin America in order to save those countries from communism, on the theory that it is in our self-interest as a free nation to prevent the Latin American nations from becoming Communist.

What disturbs me about a program such as this is that we are pouring out our great resources without any commitments of self-help on the part of the recipient countries. I do not suppose this can be accomplished in the sugar bill at this late hour; but I believe it is well to point this problem up, because it is a good example of one of the basic problems which confront us in Latin America. What good does it do us to pay premium prices, as the Senator from Illinois has so well pointed out, if the oligarchs are going to grow richer; if the workers are going to get very little money. We know that this is the great problem of northeastern Brazil. The money will flow into Latin America, and the plantation owners will take their economic killing for a certain number of years and then, in many instances, will go to Switzerland, France, Italy, or elsewhere to spend the rest of their lives and live in the luxury that their exploitation of the peons of Latin America has made possible.

We cannot expect to prevent such a situation as that in one shot. I know that. Yet I think it is important to point out in the debate, as the Senator from Illinois has so well made clear to the State Department, that we are just about fed up with the turning over of the resources of this country for the supposed benefit of another country, but which really brings little benefit to that country.

I do not know what good the premium price on sugar has really done for the masses of people of Latin America. I think it would be quite a job to set down on paper proof that it has done good for the masses.

It might be argued that instead of working for 14 cents an hour, the labor will be paid 19 cents an hour. But that is not much of a wage. Parents will recognize that 19 cents an hour does not save their children from malnutrition; and that condition exists to such an extent in so many parts of the area to which the premium price is given that the longevity is 30 to 36 years. The people are old when they are young, and they die young. I have said that about underdeveloped countries.

As to the other point—and I am so glad the Senator from Illinois has placed it in the RECORD—I am at a loss to understand why we provide aid to Australia. I do not know why we are pouring the premium price into Australia. It is about time Australia started paying its own share of foreign aid expenditures. I do not know why in the world we are pouring money into the Union of South Africa. Look at the position of the Union of South Africa in the United Nations. It is a country that will not even let a committee of study and survey go into southwest Africa, where, day in and day out—and it has gone on for years—the most horrendous atrocities are being committed against the enslaved people. The United Nations cannot even get a committee of investigation into southwest Africa. We all know that the Union of South Africa seeks to take over southwest Africa, without any right in law at all.

How can we expect to get support in the United Nations from the new nations of Africa, when they will tell our delegation to the United Nations to its very teeth: "Don't tell us you stand for freedom when you pay premium prices for sugar produced in the Union of South Africa under conditions which amount to enslavement"? These actions come home to roost.

So I am at a loss to understand why we pay premium prices to so many nations. I think a case can be made for the payment of a premium price for sugar, as the Senator from Illinois has said, to some of the eight countries, including possibly the Dominican Republic, to the south of us, whose supply of sugar was of vital interest in the war, when we had to get sugar from close by—and we know how vital sugar is to the diet of Americans.

I do not know why we scatter sugar quotas around the globe, because in time of war it will not be possible to get sugar from Formosa or the Philippines or South Africa or Ireland.

Mr. DOUGLAS. Is it not true that sugar attracts flies?

Mr. MORSE. It certainly attracts those that think they can get more money by spreading a little sugar. But that is not the way to conduct American foreign policy.

I am in a quandry. If we could have a sugar bill which gave us some assurance that the countries in Latin America which would get the premium price would use that benefit as an assistance or help to raise the standard of living of the masses of the people, so essential to save those people from going over to communism, I would be inclined to support the report. But I simply find myself in a paradox in regard to this particular conference report, because I find the Senator from Illinois to be so persuasive as to who the real beneficiaries of this sugar premium price handout will be.

I have heard nothing in the debate, nor do I know of anything from the State Department, which indicates that it is going to use our sugar premium price as a bargaining factor to obtain the necessary reforms which we are going to insist upon if the Alliance for Progress program is to work.

The Senator from Illinois knows that here in Washington I spoke to a conference of Latin American engineers—and I did so at their request—on the Alliance

for Progress program. In that speech I pointed out the need for making such reforms in Latin America if the Alliance for Progress program is not to be headed for serious trouble here in the United States. The U.S. taxpayers are going to catch up—and sooner than many persons realize—with the constant outpouring of their resources into the so-called underdeveloped countries of the world when the wealthy in those countries are not investing in the development of their own countries.

Mr. DOUGLAS. I thank the Senator from Oregon for making this point in greater detail. Of course, nothing whatever in the conference report will require the countries whose sugar producers will receive these subsidies to improve labor conditions or institute any programs of tax reform or any program of land reform. It is merely the hope that these payments will "trickle down," the William McKinley theory of making those at the top prosperous, with the hope that prosperity will trickle down to those at the bottom. It has not worked at home. It will not work abroad.

Mr. HUMPHREY. Mr. President, will the Senator from Illinois yield briefly?

Mr. DOUGLAS. First, I wish to make a somewhat stronger case, and then I shall be glad to yield.

As one who believes in the opposite theory, as developed by Andrew Jackson, William Jennings Bryan, and within this country by Hubert Humphrey, I believe in developing a country from the bottom rather than from the top down. But this measure would not do what I recommend, and in my judgment these countries would not agree to it.

Mr. ANDERSON. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. Mr. President, I hope I have not stunned the Senator from Minnesota——

Mr. HUMPHREY. No, Mr. President; the Senator from Minnesota is not stunned; but he has exhilarated me, and I wish to ask what countries the Senator from Illinois voted for under the Senate version, as it came from the Senate Finance Committee. What countries were included in the Senate version?

Mr. DOUGLAS. They were countries which previously had had small quotas: The Philippines, Peru, the Dominican Republic, Mexico, Nicaragua, Haiti, the Netherlands, the Republic of China, Panama, and Cost Rica. But the sum total for all of them came to only approximately 330,000 tons, and they were to be phased out.

Mr. HUMPHREY. But were not the oligarchs getting these quotas?

Mr. DOUGLAS. If I had had my way——

Mr. HUMPHREY. But that is not my question. I ask the Senator, were not the oligarchs getting those quotas?

Mr. DOUGLAS. Yes; but we limited them to 330,000 tons, and we were going to abolish the quotas and the subsidy completely in 5 years.

Mr. HUMPHREY. But were not the oligarchs getting those quotas?

Mr. DOUGLAS. Yes, but not as much as under the bill the Senator from Minnesota is favoring.

Mr. HUMPHREY. I do not want to see the oligarchs get any. But the Senator from Illinois was on the Finance Committee——

Mr. DOUGLAS. And we voted to phase them out in 5 years.

Mr. HUMPHREY. Yes; but the point is, that the House committee did not vote to phase them out at all.

Mr. DOUGLAS. That is correct.

Mr. HUMPHREY. But when the conferees met, as the Senator from New Mexico has pointed out, the principle of phasing out was maintained. Some adjustment was needed between no phasing out or phasing out over a period of 5 years.

As far as the conference committee is concerned, let me point out there are fewer oligarchs in Australia than there are in some of the countries the Senate Finance Committee included in its list. So possibly the conferees helped dilute the oligarch principle a little.

Mr. DOUGLAS. They helped dilute it by increasing from 330,000 tons to 1,200,000 tons the amounts to be purchased at the premium price or subsidy.

Mr. HUMPHREY. But the point is that the House committee's quotas were sharply cut in conference. Again I wish to point out that a unilateral operation is not developed by this measure. The House version included many countries which were to be given rather extensive quotas. The Senate Finance Committee attempted to cut back those quotas, and they were reduced. I think this is a worthy accomplishment.

I wish to make it quite clear there is really very little difference between what the Senator from Illinois voted for and what I voted for, because both of us voted for the Senate Finance Committee bill.

Mr. DOUGLAS. I thought the Senator from Minnesota was supporting the McCarthy amendment, which would have reduced the global quotas still further.

Mr. HUMPHREY. The Senate did not vote on the McCarthy amendment.

Mr. DOUGLAS. I know that; but I thought the Senator from Minnesota was quite active in supporting the McCarthy amendment.

Mr. HUMPHREY. Not at all. Let me say to the Senator from Illinois, my good and dear friend, for whom I have nothing but admiration, affection, and respect—and he knows that—that what my colleague [Mr. McCARTHY] was attempting to do was point out some of the weak points and shortcomings of an overall global quota system. But he did not press for a vote on his amendment.

Mr. DOUGLAS. That was because in polling the Senate he found he could not get more than 20 votes for the amendment.

Mr. HUMPHREY. He did not have time to poll the Senate.

Mr. DOUGLAS. Perhaps not; but did not someome poll the Senate for him?

Mr. HUMPHREY. I cannot answer that.

I can only say that when the junior Senator from Minnesota is credited with giving such a vivid description of the percolate-up system——

Mr. DOUGLAS. At home.

Mr. HUMPHREY. And also abroad.

Mr. DOUGLAS. No, for we cut it out for those abroad.

Mr. HUMPHREY. No; I submit that the countries for which the Senator from Illinois voted in the committee—Peru, the Domincan Republic, Mexico, Nicaragua, Haiti, the Netherlands, China, and the others—are just as oligarchical as are the countries for which I voted, because we voted for the same countries.

By the way, the Netherlands, which was included in the list for which both of us voted, has a good wage scale.

Mr. DOUGLAS. I think the Netherlands were to get only 4,000 tons.

Mr. HUMPHREY. I do not remember; but a little sin here goes a long way. When the conferees returned from the conference, they had included some countries which were not in the Senate bill. For example, India was added. The Senator from Illinois and I have supported aid to India. There are not too many oligarchs there.

Mr. DOUGLAS. Will the Senator from Minnesota permit me to place in the RECORD a few facts in the midst of the statement he is making? I did not vote for permanence in that connection; I voted to limit it to 5 years, and to restrict them to 330,000 tons a year.

Mr. HUMPHREY. And so did I.

Mr. DOUGLAS. But now we are faced with a conference report which calls for 1,200,000 tons of subsidized foreign sugar which even at the end of 3 years will have a 70 percent premium.

Mr. HUMPHREY. I voted exactly as the Senator from Illinois—namely, to phase them out in 5 years. But now we have a report which calls for a 30-percent phaseout and a review in 2½ years—not bad.

Mr. DOUGLAS. A review in 2½ years; but in the meantime we shall have built up large subsidies, which in the first year will be $60 million a year, and at the end of the third year will be $46 million. Does not the Senator from Minnesota believe that will result in building up powerful lobbies?

Mr. HUMPHREY. The Senator from Illinois previously voted to provide employment for lobbyists for 5 years. I recommend we provide employment for them for only 2½ years. So this is a matter of legislative judgment.

But the important question is whether it is better to reject the conference report, with all its inadequacies—and it has plenty of them—or to accept the conference report, which provides for every principle the Senator from Illinois wants.

Mr. DOUGLAS. About 60 percent only.

Mr. HUMPHREY. Forty percent of the quotas are to go to countries outside of the United States, which are to receive what we call premium payments. Is that correct?

Mr. DOUGLAS. Now.

Mr. HUMPHREY. That is what is going to be preserved.

Mr. DOUGLAS. Oh, no.

Mr. HUMPHREY. Under premium payments.

Mr. DOUGLAS. I want to eliminate the premium payments.

Mr. HUMPHREY. Under the present system, as provided in the conference report, 40 percent of the quotas will be under premium payments, 60 percent not.

Mr. DOUGLAS. That is true of the amount to foreign countries other than the Philippines.

Mr. HUMPHREY. The Senator from Minnesota wishes to make the point that in 2½ years we are going to phase out 30 percent.

Mr. DOUGLAS. Only 30 percent of the fee or subsidy.

Mr. HUMPHREY. That is better than what we have. What does the Senator want?

Mr. DOUGLAS. I want to wipe out the whole moral idea of subsidizing abroad. I was going to differ with the Senator because he said he believed in the subsidy system——

Mr. HUMPHREY. I said present conditions are chaotic, and it will lead to confusion and chaos in the sugar economy if we merely extend the act. I said the conference report provides a basis of 5 years for the domestic industry, and 2½ years for the foreign program, to phase out, and there is a global quota program.

I think this is a good start.

Mr. DOUGLAS. I do not think I am violating any confidence when I say I have heard rumors that after the conference report there will appear, not sugar, but honey, and that honey will attract the flies as well as sugar, and that the honey bill will provide a subtraction of 200,000 tons from the global quotas for sugar and an increase in the assigned quotas to countries unspecified. So instead of 1,600,000 tons a year to be bought at world prices, it will be 1,600,000 tons minus X number of tons which will be added to honey—very sweet.

Mr. HUMPHREY. May I say most emphatically and frankly to the Senator it is a fact the President of the United States and the Secretary of State are deeply concerned over two countries involved in the Sugar Act. One of them is the Argentine, which received no quota, and the other is the Dominican Republic, which got an inadequate quota. Therefore, there may well be amendments to another bill to take care of this situation.

I think it is quite interesting that, despite all that has been done before, these two countries have not been provided for, one of which finds itself in a very difficult situation economically and politically. I think an adjustment might be made, since the quota system is being maintained. The Senate Finance Committee included the Dominican Republic under the quota. It is not included there now——

Mr. DOUGLAS. Under the Senate bill we gave them 95,000 tons. Under the conference report they have 190,000 tons. Now the Senator from Minnesota proposes to increase that still further.

Mr. HUMPHREY. Yes. Last year we bought approximately 900,000 tons from her, 450,000 the first half of this year.

Mr. DOUGLAS. The Senator from Minnesota is such a dear friend of mine that I do not wish to engage in a prolonged discussion with him, but I merely wish to state a simple principle: The way to help people is to put the quota premiums into the Treasury and then help those people by providing schools, roads, needed economic aid, and land and tax reforms. I personally would be willing to pledge the entire receipts we get from the fee on sugar to the Alliance for Progress. But I do not believe the way to help the people is to give the subsidies to the plantation owners and the sugarmill proprietors.

ORDER OF BUSINESS

Mr. DIRKSEN. Mr. President, will the Senator yield so that I may ask the majority leader a question?

Mr. DOUGLAS. I yield.

Mr. DIRKSEN. I wish to ask the majority leader whether it is proposed to vote on the conference report tonight and whether he anticipates a yea-and-nay vote.

Mr. MANSFIELD. We intend to vote on the conference report tonight. It is my understanding that some Members of the Senate will ask for a yea-and-nay vote.

Mr. DIRKSEN. I ask further whether we are going to get around to the genus apis which is imported honey bees, so that, though restricted, honey bees can get their sugar out?

Mr. MANSFIELD. I do not know about that, but we are going to get around to the honey bees sometime.

SUGAR ACT AMENDMENTS OF 1962—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. DOUGLAS. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DOUGLAS. I yield to the Senator from New Mexico.

Mr. ANDERSON. I wish to ask the Senator from Illinois if he does not think there is some real value in the fact that domestic quotas now run for 5 years and the quotas to the other countries go for three seasons, or 2½ years. The bill would last 4½ years; the quotas would last 2½ years. I think that is a good deal of progress.

In 1947 an effort was made to write a new sugar bill. It was finally written in the office of the then Secretary of Agriculture, early in 1948.

Mr. DOUGLAS. That was the present junior Senator from New Mexico.

Mr. ANDERSON. It was then sent to Congress. It got a fine reception here, and I commend every Senator who voted for it. It was passed in 1948. I think I have been involved in every extension of the Sugar Act since that time, either as a member of the committee or when I have been brought into the discussion, as I was a couple of years ago.

The Senator from Louisiana [Mr. LONG], the Senator from Utah [Mr. BENNETT], and the junior Senator from New Mexico sat through a long discussion of this subject at one time with the House conferees. We came up against the same question. If we should finally refuse to deal with it, the Sugar Act would fail, because we were at the end of the congressional session.

The Senator from Louisiana brought back a report at about 4 or 5 o'clock in the morning. He stood on his feet for 2 or 3 more hours, and the Senate accepted it.

I point out that we have always been under the gun. We have had to act in the face of a deadline. This time, for the first time, the bill comes to us on the first day of July in which Congress has met, and Congress is in session for what I hope will be only 1 month, but it may be 2. If it should be 2, we have plenty of time to consider the act if we do not agree with either House.

It seems to me this is great progress and a great achievement.

Second, I point out to the Senator from Illinois and other Senators who have said we ought to be more careful about allotments, that the matter can be taken care of 2½ years from now, when the bill terminates, without involving the domestic allotment. Congress would not have to be in a hurry, because sugar producting States would lose on their quotas. So we can deal with this question forthrightly.

I do not want to say I hold my hand——

Mr. DOUGLAS. That is a good phrase.

Mr. ANDERSON. I happen to have in my possession a sheet of paper that was circulated inside the conference committee on Friday afternoon and evening. The Senator from Louisiana was present when this sheet was passed around. I did not know the purpose of it.

I thought it was a proposal to settle the disagreement. I wrote some figures on the side of it. I totaled up what I thought the House was proposing. I ended with a figure of 1,170,000 tons. I added to that the 1,050,000 for the Philippines. That made a total of 2,220,000 tons. I added the 5,710,000 tons for the domestic producers, to get a total of 8,030,000 tons. I took that figure from the figure of 9,700,000 tons we were supposed to have, and I noted there was a difference of 1,670,000 tons. I thought to myself, "This will be very close to the global quotas. If we take off another 150,000 tons from the top, that will bring

it to 1,820,000. The President ought to be satisfied with that."

We submitted that as a proposal to the House conferees, and that broke up the conference. The House conferees became quite belligerent. They had not intended that this paper should be regarded as an offer on their side.

The able Senator from Louisiana did not leave the room, but the rest of us did. The Senator from Louisiana stayed. It was said that there was a misunderstanding, that it was not to be understood that the House conferees were offering this paper as evidence. We thought it was their proposal.

Therefore, we tried again.

The Senator from Oregon asked a while ago, "What is Australia doing on this list?" The simple answer is that there had to be some basis for final agreement. The basis, finally, for agreement, was to accept a House list that totaled a reasonable amount in exchange for the House conferees accepting the principle of the global quotas of 1,635,000 tons plus an arrangement whereby the foreign quotas would terminate 2½ years from now, leaving us with domestic quotas for 2 additional years, so that the foreign fight could not be tied in with the domestic fight.

While this is only one man's opinion, I believe the conference report would be of great help, perhaps the greatest help ever, toward putting this program on a correct basis, in order to do the things the Senator has been talking about concerning the economies of these countries. I hope, therefore, that the conference report will be agreed to.

Mr. DOUGLAS. I thank the Senator from New Mexico. It is true, of course, that we would have a strategic advantage if the foreign quotas expire in the 2½ years which we did not have in 1960, which we did not have in 1961, and which we do not have now. Each time, although the representatives from the cane sugar and the beet sugar areas have, on the whole, loyally stood with us inside the Senate, nevertheless when the problem has gone to conference the conferees have been faced with the fact that the House has been obdurate. Then if the bill lapsed the domestic feature would lapse, also. Therefore, pressure was put on the conferees to accept the House position and to continue the subsidy paid to foreign producers.

As the Senator from New Mexico states, this particular problem will not exist 2½ years from now. That will be a great advantage.

On the other hand, I think one can prophesy that there will be a continuation of a very strong foreign sugar lobby, and we shall hear piteous stories of how we would wreck the Dominican Republic, Honduras, the British West Indies, the Fiji Islands, Australia, South Africa, Mauritius, Panama, Haiti, Paraguay, Ecuador, India, Nicaragua, Costa Rica, Colombia, the Netherlands, Guatemala, the French West Indies, Taiwan, El Salvador, Brazil, Mexico, and Peru. We shall all be subjected to that argument once more.

I should like to close on the final point on which the Senator from Arkansas touched several times, and which I think needs to be emphasized. This is the question of what effect the action we take will have upon the possibility of bringing Cuba back into the Association of American States on a democratic, non-Communist basis.

I point out that the proposal of the administration which was adopted by the Senate would allot 2½ million tons to Cuba if, as and when Cuba comes back as a democratic country. That is less than the 3.2 million tons Cuba had been allotted, because the domestic quota was increased. I personally think that action was a mistake. However, at least 2½ million tons were to be provided.

Under the terms the present proposal that would be reduced to 1.6 million tons. If honey draws in its wake a couple of hundred thousand more tons for Argentina and the Dominican Republic, that will leave only 1.4 million tons for Cuba.

Senators know, of course, that this argument will be used to those on the fence in Cuba. They will be told, "Why come back to the American system? Why throw out the Communists when all you will get will be 1.6 million tons or 1.4 million tons instead of the 3.2 million tons you had before?" The anti-Communist movement inside Cuba will be weakened.

Not only that, but what about all the other countries which now have quotas, which would lose some of these quotas if, as and when Castro was overthrown? This will mean that if Castro is overthrown and it is necessary to go on to the world price basis, those countries will lose money. There would be a direct economic inducement for those countries therefor to oppose the overthrow of Castro and to favor the continuation of communism, because they would make money in that way.

I am sure that was not the intention of the House committee. Of course it was not the intention of the conference committee. That will be the effect, however, inevitably. It will give these countries a vested interest in maintaining Castro in power.

If we are to talk about foreign policy being a consideration, such a policy will strengthen Castro all through Latin America.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield to the Senator from New Mexico.

Mr. ANDERSON. In addition to the 1,635,000 tons, there is a recapture provision. The Senator from Illinois correctly pointed out that the 10-percent recapture is rather slow. Just the same, 10 percent a year for a few years will recapture a great deal. All of that amount will be available for the Cuban quota.

Mr. DOUGLAS. Seventy percent would be available, but that would be at a premium of 2 cents a pound, or $40 a ton.

Mr. ANDERSON. What I am saying is that 30 percent of the amount available, some 340,000 tons, could be added to the 1,635,000 tons, to bring it up to some 2 million tons. I hope that can be used as a constant incentive for the Cubans.

After the war the Philippines wanted to come rapidly back into the sugar market. In the Sugar Act of 1948 we provided a very reasonable, and I think fancy, allotment to the Philippines, so that they could come back rapidly as producers of sugar. They did not do so, however. Years went by without their production increasing greatly.

I believe that the Castro government has had a very severe adverse effect on the sugar production of Cuba. Even after Cuba comes back to the family of nations, as I hope it will, it will take a good many years to build back the production of sugar to its former level.

I only say that I am the individual who stood on the Senate floor some years ago and moved greatly to increase the Cuban quota. I have no antagonism toward the old growers of Cuba. I should like to see Cuba come back again.

I believe the proposal before the Senate would make a move in that direction, although I agree with the Senator from Illinois that it may be inadequate.

Mr. DOUGLAS. I thank the Senator from New Mexico.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am glad to yield.

Mr. CLARK. The Senator from Minnesota [Mr. HUMPHREY]—who is my dear friend as well as a dear friend of the Senator from Illinois—and several other Senators have referred to what they say will be chaos if the Senate does not agree to the conference report today or tomorrow. I wonder whether that is not worth a little exploration.

I am not so sure—I ask my friend from Illinois, who is more knowledgeable on the subject, since he is a member of the Committee on Finance, to give me his opinion—exactly what is the chaos to be feared. So far as the people of Pennsylvania are concerned, they would get sugar a little cheaper. We do not raise beet sugar or cane sugar in Pennsylvania. I believe none is raised in Illinois. I would not wish to state the argument on so sectional a basis alone, but it occurs to me that the chaos is not our fault. Any chaos which may result will be the fault of the other body, for failure to accept the administration bill.

I wonder how chaotic it would be if a few ships should land at U.S. ports in the next week or so, bringing in cheap sugar. I wonder whether that might not be in the national interest.

I ask the Senator from Illinois, if a few ships carrying sugar should land, does he not think that might put our friends in the other body under greater pressure than we are under?

Mr. DOUGLAS. I think the Senator from Pennsylvania has made an interesting suggestion. He has in mind predominantly what the Senator from Illinois has in mind; namely, the interest of the consumers.

Everybody has been talking about the producing areas. My good friend from Minnesota talked about the Red River Valley. That was not the Red River Valley of the South, but the Red River

Valley of the North. I am reminded of the words of the old song:

Remember the Red River Valley,
And the cowboy who loves you so true.

The Senator from Minnesota has an affection for the Red River Valley, and for his side of the Red River Valley. His affection is greater than that of the sentimental cowboy who was deserted by his sweetheart in Arkansas.

The consumer's interest is, however, extremely important. I do not think affairs would be thrown into chaos if the consumer were to be able to get her sugar at half a cent a pound less. I think it would be a practical demonstration that the price of sugar has been too high. The program has gone on without anyone knowing what was happening. Five hundred and fifty million dollars, plus $100 million in excise taxes a year, has been taken out of the pockets of the American consumer without her knowing what was happening. Virtually all of it has been distributed either in cash subsidies or in higher prices.

The Department of Agriculture has told that we could let the situation continue for a few days with virtually no effect, or we could have a 30-, 60-, or 90-day extension. There would be no difficulty. Even if the price of sugar did go down, I would not weep over it.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. DOUGLAS. Was I too personal?

Mr. HUMPHREY. No. I can understand the consumer's interest. My point is that I used the word "chaos" in speaking about the difficulties we would be in. I wish to make quite clear that each year there has been an extension of the present situation, more and more acres have been plowed up for sugarbeets. There has been unlimited planting. So each year more and more acres are plowed up. There is a greater demand on the part of producers and refiners to extend and improve the domestic quota.

Mr. DOUGLAS. That is true.

Mr. HUMPHREY. I believe the proposal has a tendency to aggravate the international situation even more so.

Mr. DOUGLAS. That is true.

Mr. HUMPHREY. The Senator from Minnesota has never really interested himself in the matter of sugar legislation. As a former member of the Committee on Agriculture and Forestry I was interested in the subject merely because it is an agricultural commodity, but proposed sugar legislation has been handled by the Finance Committee.

The administration wanted to come to some kind of agreement this year on a long-term sugar program that included the following facets: First, a domestic quota that was reasonable, with a growth factor that would take into consideration the growth of population and production. Second, the administration wanted to retain the historic quotas for the Western Hemisphere countries with which we have had continuing relationships in the sugar market. Third, the administration wanted to establish the principle of the global quota.

It was the suggestion of the Senator from Minnesota, along with others, that we should take a large portion of the Cuban quota and make of it a global quota. This recommendation was made privately and publicly. The Senate bill which was reported from the Senate Committee on Finance contained a domestic quota of 60 percent. As I recall, the growth factor was 65 percent. The bill had what we call historic quotas and a global quota. Those were the provisions in the Senate bill.

It seemed to me that by and large it was a fairly good arrangement.

Actually, the Senate increased the growth factor in the domestic quota a little over what had been recommended by the administration.

Now we are confronted with an entirely different approach. The Senator from Minnesota has recommended the adoption of the conference committee report on the basis that if the conference committee report is not agreed to, we shall be back here a year from now with the same old fight on the same old ground, only more aggravated, because if the present act is extended, we would have premium payments on all imported sugar. Domestic production would expand.

My point is that we are attempting to make a beginning in the tapering off premium payments. We would make a beginning on the recapture so as to fill in the Cuban quota. We would establish a 5-year program for the domestic producers. I think it is in the national interest that this be done. I do not think there is any real basic argument on the question, despite all the minutiae that we have discussed today. I cannot help but think that the conference report is a decided improvement in the program.

Mr. DOUGLAS. Mr. President, I am not a perfectionist. I know that legislation is a process of comprise. I know that our conferees did the very best they could. But I think the program on the whole has been such an iniquitous one, at least so far as its producers are concerned, that it needs to be thoroughly aired on the Senate floor. We should impress upon our colleagues in the House that we in the Senate who believe that the sum involved should go to the Treasury rather than to the foreign producers feel very strongly about that matter and are going to press such a proposal.

I serve notice now that if I am present in the Senate Chamber when the foreign producers come here 2½ years from now, I shall try to remove all of the subsidy which is now paid to them. I know there will be a great difficulty in doing so. I think it is important that they should realize in the meantime that they have no legal vested right in the bonus payments of $60 million which they are going to receive in the next year, or the $46 million which they will get 3 years from now. It is a gratuity to which they have no legal right. It is a sum which will be given to them merely through the generosity of the American Congress. They should adjust themselves to having it taken away from them 3 years from now.

I know that my statement will have no effect on the actions of the countries involved. It will have no effect on their arguments. But the record should be clear. The consumers and the taxpayers of the United States have a right to be considered. I ask the State Department again to inform each country that is given a quota and a subsidy that the arrangement is purely temporary and they have no right to its continuance. They can look forward to a gradual phasing out—that is if I have my way.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield to the Senator from Louisiana. I should like to make a supplementary point and I will then yield the floor.

Mr. ELLENDER. I wish to add a little to what my good friend from Minnesota said. If the conference report is agreed to, it will mean a fixed quota for both the sugarcane producers and the beet growers. The growers in Louisiana and Florida start planting sugarcane next month. Farmers will know that their quota is limited to 895,000 tons, and that knowledge will prevent the race to which my good friend from Minnesota has been referring and will put the whole sugar situation on an even keel.

Mr. LONG of Louisiana. Mr. President, will the Senator yield further?

Mr. DOUGLAS. I am glad to yield.

Mr. LONG of Louisiana. Mr. President, as one of the conferees, I felt it my duty to support the position the Senator has taken with regard to foreign producers.

Mr. DOUGLAS. I am sure that the Senator has.

Mr. LONG of Louisiana. I not only agree with the general burden of his argument about the premium payments to foreign countries, but also I voted for the proposal a year ago when the President was asking us not to vote for it.

Mr. DOUGLAS. The Senator is correct.

Mr. LONG of Louisiana. I assured the Senator that I expected to hold out for that position in the conference. I am frank to tell the Senator that it was my judgment that there would not have been a conference report had I done so. It was my judgment that the Sugar Act would expire, and those of us who are interested in the domestic industry would have had to go to the President and ask him to invoke the defense amendment of the Trade Act in order to do the best that could be done to handle a very bad situation so far as the domestic sugar industry is concerned. Fortunately, it was possible to arrive at a conference report which in my judgment is much better than we had any hope of achieving at the time we went to the conference.

As I recall, last year this Nation purchased at premium payments 2,840,000 tons of sugar.

Mr. DOUGLAS. From countries other than the Philippines.

Mr. LONG of Louisiana. The Senator understands that with respect to the Philippines we are bound by treaty, and we have no choice.

Mr. DOUGLAS. That is correct.

Mr. LONG of Louisiana. This year we shall purchase only about 1,200,000 tons at premium prices.

Mr. DOUGLAS. Yes; the Senator from Illinois has said that.

Mr. LONG of Louisiana. So we shall have greatly reduced the amount. About 60 percent of the purchases this year will be at the world market price, under the conference report.

Mr. DOUGLAS. That is correct.

Mr. LONG of Louisiana. The Senator has been criticized substantially on the floor for cutting too much from the premium price. The Senator made reference to the quotas which the House bill had in it. South Africa was referred to. It was in for 120,000 tons. We are cutting it down, in the conference report, to 20,000 tons. That is, it will be 20,000 tons instead of 120,000 tons. India had 130,000 tons at the premium price. Under the conference report, India would get premium payments on 20,000 tons.

Australia also was referred to. Australia had 200,000 tons at premium prices. Australia, under the conference report, would get 40,000 tons at premium prices.

We were not able to cut them out entirely, but we have cut them by about 20 percent from what the House bill provided.

French West Indies had 40,000 tons. We cut that to 30,000 tons.

Brazil had 340,000 tons at premium prices. That amount has been reduced to 180,000 tons. The British West Indies had 250,000 tons at premium prices.

Mr. DOUGLAS. I believe it was 350,000 tons.

Mr. LONG of Louisiana. The British West Indies were in for 250,000 tons. We cut it down to 90,000 tons at premium prices. Peru was in for 350,000 tons at premium prices. Under the conference report it would get 190,000 tons, slightly more than half. The Dominican Republic was in for 350,000 tons at premium prices. In the report we would cut that to 190,000 tons. Mexico was in for 350,000 tons. We bring it down to 190,000 tons. There are more reductions. The major reduction is with regard to the Republic of China, which we cut to 150,000 tons.

The Senator knows that after we have reduced some of these countries we are going to be called on to give them more in foreign aid because we have taken away from them funds they were getting under the Sugar Act. In other words, we would be taking away from them income which they had derived previously under the Sugar Act. It is money which they will contend should be made up to them at least in part in foreign aid. We can meet that problem when we face it. But that is one of the things the Senator has advocated.

It seems to me that on principle we have achieved what the Senator has been contending, and that is that the premium payments should be phased out. Dollarwise we have succeeded in disposing of two-thirds of the payments in this one bill. We have also placed ourselves in such a position that, come the expiration of the foreign phases, we shall be in a strong position to consider what the Senator believes should be done further so far as the foreign aid sections are concerned.

So far as the domestic portion is concerned, I hope very much that if we get the Senator's program for the foreign part of it, he will not compel us to take the program that he is advocating for the domestic industry.

Mr. DOUGLAS. I have never accused the conference committee of doing badly. I said that they did better than I feared they would, but not as well as I hoped they would.

I should like to close on one final note, and that is that there is in the conference report the House provision which prohibits the importation into the United States of any refined sugar. We formerly permitted the importation of 250,000 tons of refined sugar. This is no longer to be permitted. We have adopted, so far as this prinicple is concerned, mercantilism in its purest from. Mercantilism permits the importation of raw materials provided they are to be fabricated or processed inside this country.

We all know that in the past the sugar program has been put over by a triple alliance, the foreign sugar producers, the domestic sugar producers, and the Atlantic coast refiners. Again and again President Roosevelt pointed the finger at the Atlantic coast refiners. The Atlantic coast refiners were successful in limiting the importation of refined sugar to 250,000 tons. Now they have been successful in eliminating all importation of refined sugar. It must come in raw. What will this mean to the refiners in Cuba if, as, and when Cuba comes back into the democratic alliance and its mills again refine sugar from raw sugar?

The Atlantic coast refiners have been putting the thumbscrews on the freedom of trade in such matters. That is another weakness in the bill as it finally appears.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. HUMPHREY. What was in the Senate bill on that point?

Mr. DOUGLAS. It permitted the importation of 250,000 tons of refined sugar.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. ELLENDER. I should like to state to my friend from Illinois, if he will permit me to do so——

Mr. DOUGLAS. Certainly.

Mr. ELLENDER. As I understand, the only refining factory in Cuba was owned by Americans in Hershey, Pa. That was recently sold to Cuban interests. Of course, Castro has all of it now. So in my judgment there is no further need for 250,000 tons of imported refined sugar.

Mr. DOUGLAS. In general it is a bad policy for a country to follow. It is mercantilism. We are following the mercantilistic theory, under which only raw material can come in for purpose of being fabricated in this country. This was the basis of the theory and practice of Colbert in France, and of the British mercantilists. As one who believes in greater freedom of trade, I believe this is in direct contradiction to the basic theory of low tariffs.

Perhaps I am tipping my hand prematurely, but when this act, so far as the foreign quotas are concerned, comes up in 2½ years from now I hope the Senate will reverse itself and permit the importation of at least 250,000 tons of refined sugar. I do not have too much hope about this, but I certainly believe the struggle should be made. I am an unabashed low tariff man. I am not ashamed of that fact. I am proud of it. I hope to see that principle followed.

I yield the floor.

Mr. FULBRIGHT. Mr. President, I hesitate to take the time of the Senate at this late hour, but I should like to make a few remarks on this subject. First, let me say that I particularly agree with the final statement of the Senator from Illinois. My basic objection to the proposed legislation, as I stated the other day, is that it is contrary to the spirit of the trade bill which the House passed a few days ago. We find ourselves riding off in two different directions at the same time. The Sugar Act gives inducement to an expansion of the domestic sugar industry. I object to that, because I do not think in the long run it is for the benefit of either this country or of individual foreign countries.

I have made some calculations concerning some of the countries which have been given quotas. For example, the Irish been given a quota. Ireland is not listed by name, but it will be included under the provisions of the bill. Everyone has mentioned it. The State-Agriculture Departments projection shows the export capability of Ireland—that is, of refined sugar—is 25,000 tons. Their domestic production is up about 30 percent in the last 5 years.

Ireland imported more than 50,000 tons of raw sugar in each of the last 5 years and exported a little more than 15,000 tons of refined sugar the past 3 years. In 1960, 22,000 tons of its imports came from Cuba. There is no report as to how much came from Cuba in 1961.

In other words, here is a situation in which a deficit country has not produced, apparently, all its own needs, although it was rapidly increasing domestic production; or, to put it in another way, the bill will induce the expansion of an almost nonexistent sugar export program in Ireland. I think this goes in the wrong direction. Generally speaking, the bill not only induces an uneconomic domestic sugar industry by this very great subsidy, but does so in other countries, as well.

Under the conference report, we are going to provide a subsidy to South Africa. There is no excuse whatever for that. All we are doing is picking up what South Africa lost in the Commonwealth Sugar Agreement. The Union of South Africa formerly sold sugar to the Commonwealth under this agreement. When they left the Commonwealth they lost this preferred market. South Africa does not need this subsidy; it is relatively well off. South Africa is the largest gold-producing country in the free

world. If I am correctly informed, its balance of payments is all right. There is no excuse for our providing South Africa with a sugar subsidy.

Much the same can be said of Australia. There is no excuse for granting a subsidy to Australia. Australia has the capacity, according to the State-Agriculture projection, to produce 840,000 tons for export; 600,000 tons is marketed under the Commonwealth Sugar Agreement. Australia markets over half of its sugar at the world price, some even to Commonwealth nations. For the past 5 years, she has had a carryover of almost 800,000 tons.

In 1961, the United States purchased 90,000 tons from Australia. Australia is one country that can compete in sugar on an equitable basis; this is evident for she is already selling a large part of her production at the world price. Yet, it is proposed here to give Australia a quota. If there is any excuse for that, I cannot see it.

The conference has given to British Honduras a quota of 10,000 tons. She reportedly has the ability to produce 13,000 tons for export. But British Honduras already has a 19,000-ton quota under the British Commonwealth Sugar Agreement. Yet we are extending to British Honduras a quota of 10,000 tons which she has not had, at a time when she has not even had sufficient production to fill her quota under the Commonwealth Sugar Agreement. So here is a good example of our going out of our way to induce additional production in a country which does not now produce enough to fulfill its existing preferential quotas.

I thoroughly agree with the theory advanced by the Senator from Illinois a moment ago about mercantilism. We are destroying the normal flow of trade of those countries well adapted to produce sugar and inducing artificial production in other countries, like British Honduras.

The Netherlands is a most peculiar example. The Netherlands is an overall importer of sugar. In 1961, the Netherlands imported more than 150,000 tons of sugar, including, incidentally, about 30,000 tons from Cuba. The Netherlands exports last year totaled about 60,000 tons.

The United States, with purchases of almost 10,000 tons in 1961, was the Netherlands' second largest customer; this was all refined sugar, made from imported raw sugar. I have never heard anybody attempt to explain what excuse there is for such an arrangement. Why should we raise the Netherlands' 4,000-ton quota to 10,000? I do not quite understand why there was even a 4,000-ton quota to begin with. In any case, there is no reason whatever, to justify the way in which this quota has been arbitrarily allocated.

Mr. GORE. Mr. President, will the Senator from Arkansas yield?

Mr. FULBRIGHT. I yield to the Senator from Tennessee.

Mr. GORE. How would it be determined which Netherlands producer would receive the order for the additional subsidy?

Mr. FULBRIGHT. I do not really know. Does the Senator mean which individual company within the Netherlands would receive the quota?

Mr. GORE. Yes; how would that be determined?

Mr. FULBRIGHT. I do not know. That question would have to be asked of one of the experts in this field. I do not know whether that question was ever raised in committee.

Mr. GORE. Let us consider the Union of South Africa. To what producer would the United States pay the subsidy?

Mr. FULBRIGHT. Frankly, I do not know. It might be through associations which are represented by lobbyists; and the amount would be distributed in accordance with the production. But I do not know.

Mr. GORE. It is an interesting question.

Mr. FULBRIGHT. The Senator from Louisiana [Mr. LONG] is not in the Chamber. He may be able to answer the Senator when he returns.

Mr. GORE. The question was raised earlier in a discussion as to the advisability of having the proceeds from the tariff on sugar which was imported, if such a tariff should be levied, go into the Treasury of the United States. Is not that customarily the repository of receipts from tariffs?

Mr. FULBRIGHT. It is.

Mr. GORE. Does not the Senator believe that our Treasury is slightly depleted?

Mr. FULBRIGHT. It is badly in need of revenue at the moment.

Mr. GORE. I should like to ask the Senate to interpret the premium price principle with respect to the balance of payments. We have a great program in effect to increase exports. Is it not true that the premium price program exports dollars?

Mr. FULBRIGHT. It does; at artificially high prices for commodities which we could buy for almost half of what we pay.

Mr. GORE. How does the Senator square this principle with the principle of the reciprocal trade program?

Mr. FULBRIGHT. I do not. I have said before, and I say today, that this principle is directly contrary to the spirit of the Trade Act which was recently passed by the House, and to the spirit of the reciprocal trade program, because we are seeking to make the United States self-sufficient in a commodity which we are not naturally equipped to produce economically. The principle of free trade is that each country produces in accordance with its natural advantages, so that the most efficient producer in each land will produce; and then other countries will trade with them.

I think the Sugar Act arrangement injures all other agriculture of an export nature. In the long run, I should say that this bill, in a very subtle way, would be inimical to the fortunes of the cotton producer, the rice producer, the wheat producer, or the tobacco producer in exporting his commodity, because we are, in a sense, tightening the free application of international trade in agriculture. One of the most serious problems today is agriculture—that is, the problems of agriculture going into the Common Market. That is really what has been holding up the entry of the British into the Common Market. In my opinion, a bill of this kind would contribute to that difficulty.

Mr. GORE. A question has been raised about the advisability of encouraging more production at home, and thus requiring the American taxpayer to pay heavier subsidies. I think there is some validity to that contention. But if the alternative is to pay a subsidy to some unknown producer in the Union of South Africa——

Mr. FULBRIGHT. That is outrageous; I agree with the Senator.

Let me cover the first part of the Senator's inquiry. The Senator raised a question about increasing domestic production.

If we are already in business—and I have always maintained that since Louisiana, for example, has been in the sugarcane business for a hundred years, sugarcane growers are entitled to consideration just as the corn or cotton or tobacco grower, or any other grower of agricultural products——

Mr. GORE. I fully share the Senator's sentiment.

Mr. FULBRIGHT. We have made the best effort possible. We are not satisfied with the programs in other fields; but on balance, cotton, rice, and tobacco are in good condition. They are not out of balance. I think the last administration, for political reasons, not economic reasons, got corn production out of line. The acreage for the others has been held down.

In the case of sugar we would not only assist those already in the business, but we would actually pay others handsomely to go into the business. If we were successful, I suppose it would not be possible to produce enough sugarbeets in the United States, even though it is said to be important in connection with our self-defense. After all, we are much better able to grow corn, cotton, rice, and so forth. But the 45,000 farmers in this country who grow sugarcane and beets make more money. The other day someone showed me figures that shows this bill amounts to a payment of about $10,000 for each of them. I think there is nothing comparable to that. So this is very special treatment for a very select, small group; and I do not see the justification for it. I think it is contrary to the overall interests of agriculture, and those who have been engaged in agriculture for years.

Mr. GORE. But regardless of whether that is justified or is not justified, I fail to see any merit whatever, any merit of any sort, in selecting—by some process I do not understand—certain producers in the Union of South Africa, and stating that the U.S. Government, despite the condition of its Treasury and despite its balance-of-payments difficulty, will give them a subsidy of $50 a ton.

Mr. FULBRIGHT. There is no explanation for it that I can understand, nor have I heard any this afternoon.

Mr. GORE. And what about Ireland?

Mr. FULBRIGHT. I have heard all the debate today, and I do not think anyone has attempted to justify the treatment proposed to be given to South Africa, except to say, "Well, we had to do it; we could not have everything our own way."

Mr. President, I hold in my hand perhaps the best explanations of how these subsidies are arrived at. I call these to the attention of the Senator from Tennessee, and ask unanimous consent to have printed at this point in the RECORD an analysis of the lobbying arrangements made in connection with this bill. I believe they cover all but one of the countries which have been given quotas. These are records taken from both the official registration statements in the Department of Justice and from certain material furnished to the Senate Finance Committee at the request of the Senator from Illinois, when he was acting chairman. I think these are accurate figures; we believe them to be.

There being no objection, the tabulations were ordered to be printed in the RECORD, as follows:

AUSTRALIA

Robert C. Barnard.

Client: Colonial Sugar Refining Co., Ltd.

Contract: An oral arrangement under which payments received are based on the amounts of work involved together with reimbursements for out-of-pocket disbursements. The agreement is terminable at any time by either party on giving notice.

Fee: As reported by Mr. Barnard to Senate Finance Committee June 23, 1962:

Period covered	Fees	Disbursements incurred	Disbursements reimbursed
Jan. 1 through June 30, 1961	$10,500	$606.98	$286.78
July 1 through Dec. 31, 1961	8,250	1,618.17	1,876.08

To be included in June 30, 1962, foreign agents registration statement

	Fees	Disbursements
Jan. 1 through Mar. 31, 1962	$4,400	$466.83

BRAZIL

Albert S. Nemir (A. S. Nemir Associates).

Client: Brazilian Sugar and Alcohol Institute.

Contract: An agreement entered into March 9, 1962, covers a period to December 31, 1962. In a letter to the Senate Finance Committee dated June 26, 1962, Mr. Albert Nemir stated that "we have not yet finalized our agreement in detail since this contract is not designed to be for representation to the Congress, but is designed for the purpose of developing a budget to maintain a permanent office in the United States to cover a broad category of services, including technical research, legal counsel, marketing research, sales service, as well as research necessary in Brazil including domestic and foreign travel expenses."

Fee: The agreement provides for a minimum fee of $25,000 a year.

"The agreement provides further for a set-aside amounting to approximately 20 percent of normal sugar brokerage with a ceiling on the associates' earnings per year undercertain conditions and with a possible acceleration beyond this ceiling under other conditions. The agreement further provides that the minimum fee paid to the associates by the institute may be charged against the total fee paid by the institute. All expenses are for the account of the associates and the budgeting of expenditures under the agreement is left to the discretion of the associates, it being understood that the budget must be based on the availability of revenue from the operation of the agreement."

This comes to about 25 cents a ton.

BRITISH HONDURAS

L. Blaine Liljenquist.

Client: Representing Government of British Honduras on matters pertaining to the securing of a sugar quota under the U.S. Sugar Act.

Contract: Letter of authorization.

Fee: None, but has an interest in the sugar mill that would be constructed if a 30,000-ton U.S. quota is granted.

BRITISH WEST INDIES

Arthur Quinn.

Client: British West Indies Sugar Association (Inc.).

Contract: Contract on file was entered into on December 1, 1960, to run until November 30, 1961. On November 14, 1961, the contract was extended for 1 additional year.

Fee: $20,000 per annum with a payment of $5,000 per annum for expenses.

Notes: Mr. Quinn also represents the Sugar Industry of Ecuador. The agreement filed in 1961 provides for payments of $800 a month plus $200 a month in expenses.

REPUBLIC OF CHINA

Robert L. Farrington.

Client: Chinese Government Procurement and Services Mission.

Contract: Represent the Republic of China regarding sugar legislation. Contract entered into February 5, 1962.

Fee: Client agrees to pay attorney for the above services a retainer fee of $2,500 upon the acceptance of this contract, plus $500 per month, payable monthly, for each month until the end of the present session of the Congress, or until the sugar legislation above referred to has been enacted into law, whichever event occurs first. Client also agrees to reimburse attorney for necessary expenses.

Fees and payments reported by Mr. Farrington are $2,500 for the initial retainer fee; monthly payments of $500 per month for the months of February through June, inclusive; and $291.36 for expenses, a total of $5,291.36.

COLOMBIA

Ernest Schein.

Client: Distribuidora de Azucares, S.A., Azucareros Independientes, Ltda., Compania Azucarera del Valle, S.A., of Colombia.

Contract: Contract to run until end of the 1st session of 88th Congress which is estimated as the summer of 1963.

Fee: "(a) A retainer of $15,000 payable before I am required to make a statement in your behalf before the Committee on Agriculture of the House of Representatives of the United States conducting hearings on proposed amendments to the Sugar Act.

"(b) On any allotment of U.S. sugar imports from foreign areas in favor of the Republic of Colombia in excess of 10,000 tons per year up to 30,000 tons, an amount equal to $0.50 per ton of such excess.

"(c) On any allotment of U.S. sugar imports from foreign areas in favor of the Republic of Colombia in excess of 30,000 tons per year, an amount equal to $0.25 per ton of such excess.

"(d) It is understood and agreed that compensation under items (b) and (c) will be payable to me only if during the period of my employment a regular sugar quota for the Republic of Colombia is included in the amendments to the Sugar Act of the United States "It is further understood that you will reimburse me for reasonable incidental expenses."

COSTA RICA

Dina Dellale.

Client: Camara de Azucareros de Costa Rica.

Contract: Agreement is oral and runs to the end of 1963. Contract is to represent the client in all their business in the United States, including the sugar bill.

Fee: $9,000 per year including expenses.

Notes: The registrant reported to the Justice Department a minimum fee of $5,000 per year plus additional amounts if services should warrant.

DOMINICAN REPUBLIC

Philip F. Maguire.

Client: Comision de Defensa del Azucar y Fomento de la Cana

Contract: Agreement is to run from May, 1962, until February, 1963.

Fee: $18,000 for the above period to be paid in three equal installments of $6,000 on June 1, September 1, and December 1, 1962. Expenses to be reimbursed.

DOMINICAN REPUBLIC

G. Douglass Debevoise.

Client: In a letter to the Senate Finance Committee dated June 25, 1962, Mr. Debevoise stated that he testified before the committee as president of the South Puerto Rico Sugar Co. and did so at the request of their board of directors. He further stated the company retains the Washington law firm of Messrs. Surrey, Karasik, Gould & Greene for services covering Puerto Rico, the Dominican Republic and Europe. At $20,000 a year.

DOMINICAN REPUBLIC

Walter Sterling Surrey (Surrey, Karasik, Gould & Green).

Client: South Puerto Rico Sugar Co.

Contract: Retainer agreement was entered into September 1956.

Fee: According to Mr. Surrey's letter dated June 25, 1962, to the Senate Finance Committee:

"Subsequent to September 12, 1956, the agreement with South Puerto Rico Sugar Corp. was modified without a written amendment to increase the retainer to $20,000 per year and to include services to be rendered both in Puerto Rico and in Europe through this firm's office in Paris."

ECUADOR

I. Irving Davidson.

Client: Ecuadorian Sugar Producers.

Contract and fee: In a letter dated June 25, 1962, to the Senate Finance Committee, Mr. Davidson stated as follows:

"I have recommended to the Ecuadorian Sugar Producers that they grant me permission to give you a copy of our agreement.

"My quarterly report filed pursuant to the Federal regulation of the Lobbying Act is correct. The only moneys I have received to date from my principals, the Ecuadorian Sugar Producers, is the $500 which appears on this statement."

According to reports, Davidson's fee calls for a contingent payment of at least 50 cents a ton.

FIJI ISLANDS

Charles H. Brown.

Client: South Pacific Sugar Mills, Ltd., and the Colonial Sugar Refining Co., Ltd.

Contract: The firm was retained on January 30, 1961, for a period of 3 months commencing January 31, 1961, to explore U.S. marketing possibilities for the Fiji sugar industry. According to a letter dated June 25, 1962, sent to the Senate Finance Committee, one-third of the firm's work for the client has been devoted to contacting Members of Congress relative to the status of sugar legislation.

Fee: $2,000 a month, plus normal out-of-pocket disbursements. Mr. Brown states that no contingency fee is charged.

GUADELOUPE AND MARTINIQUE

Walter Sterling Surrey (Surrey, Karasik, Gould & Greene).

Client: Amerop Commodities Corp.

Contract: 2. Surrey, Karasik, Gould & Efron will also represent Amerop Commodities Corp. for the purpose of security authorization for the purchase of cane sugar for the U.S. market at the U.S. market price from private sugar producers located in Martinique, Guadeloupe, and Reunion. In this connection, it is recognized that the ultimate objective is to secure for these areas a permanent quota under the Sugar Act of 1948, as amended.

Fee: 4. Surrey, Karasik, Gould & Efron shall be compensated at the following rate: $10,000 upon this agreement coming into effect and thereafter at an annual retainer, beginning January 1, 1961, of $35,000 of which $15,000 is allocable to representation related to paragraph 2 above, it being recognized that it is the intent of both parties to continue this agreement in subsequent years.

5. Surrey, Krasik, Gould & Efron will be reimbursed for actual out-of-pocket expenses incurred by it in connection with the representation of your company.

Agreement amended November 17, 1961, as follows:

"In accordance with discussions we have held between us and in view of the fact it is expected there will be hearings on sugar legislation during 1962, it is agreed between us that the retainer agreement now effective, and as set forth in paragraph 4 of the letter of September 27, 1960, shall be amended by providing for the annual retainer to be paid Surrey, Karasik, Gould & Greene by Amerop Commodities Corp. to be at the rate of $40,000 for the calendar year of 1962."

GUATEMALA

Sheldon Z. Kaplan.

Client: Guatemalan Sugar Producers Association.

Contract: Agreement dated March 5, 1960, to extend over a period of 18 months.

Fee: $5,000 a year. The client, in a letter dated March 5, 1960, suggests that "should the proposed operation of this association become successful, we are prepared to better the fee hereby offered."

Notes: In a letter to the Senate Finance Committee dated June 25, 1962, Kaplan reported receipt of $5,000 for calendar year 1960, $5,000 for calendar year 1961 and $12,000 for 1962.

HAITI

James H. Rowe, Jr. (Corcoran, Youngman & Rowe).

Client: Haytian American Sugar Co.

Contract: An oral agreement. Firm retained for a period of 2 years beginning February 15, 1962.

Fee: Monthly retainer of $1,250. Out-of-pocket expenses reimbursed. Expenses February to June 1962, reported as approximately $300. Mr. Rowe reports that no contingent fee is charged.

INDIA

James W. Riddell (Dawson, Griffin, Pickens & Riddell).

Client: India Sugar Mills Association.

Contract: Agreement dated May 21, 1962, to advance the interests of India Sugar Mills Association before the executive departments and the Congress in obtaining a sugar quota allocation for India under the provisions of the Sugar Act of 1948 as amended, and specifically under the Sugar Act Amendments of 1962.

Fee: "It is understood between us that our compensation shall be as follows:

"1. If the Sugar Act Amendments of 1962 extend the Sugar Act of 1948, as amended, for a period of 3 years or longer, then $33,000 per year, but not to exceed $99,000 together with expenses not to exceed $5,000 per year, and not to exceed a total of $15,000.

"2. If the Sugar Act Amendments of 1962 extend the Sugar Act of 1948, as amended, for a period of 2 years, then $33,000 per year, together with expenses not to exceed $5,000 per year.

"3. If the Sugar Act Amendments of 1962 extend the Sugar Act of 1948, as amended, for a period of 1 year then $50,000 per year, together with expenses not to exceed $5,000 per year.

"It is also understood between us that in the event the Sugar Act Amendments of 1962 are enacted by the Congress without any consideration being given to the position of India by the terms of the legislation, this understanding of employment between us shall be terminable at the election of the Indian Sugar Mills Association (Export Agency Division), and that we shall be entitled in that event only to that compensation referred to in the above-numbered subparagraph (3), that is to say, $50,000 together with any expenses not to exceed $5,000 incurred on behalf of the association."

Notes: In his letter to the Senate Finance Committee dated June 25, 1962, Mr. Riddell states that the fee of his firm is not contingent on the quota allocated.

IRELAND

George Bronz.

Client: Irish Export Board.

Contract: According to Mr. Bronz no explicit agreement, written or oral was made with respect to services rendered (exhibit B—foreign agents registration statement).

Fee: Bronz states that he expects to bill the Export Board at his usual hourly rate of $35 an hour for the time spent. "No contingency of any kind is involved."

MAURITIUS

Ralph W. Gardner (Gardner, Morrison & Rogers).

Client: Mauritius Sugar Syndicate.

Contract: Contract to run from June 29, 1961, to December 31, 1962.

Fee: The sugar syndicate agreed to pay during the period £8,000 sterling plus expenses not greater than £100 sterling. (The dollar equivalent of £8,000 sterling is $22,243.78). The agreement further stipulated that if, prior to January 1, 1962, the situation with respect to Cuba has so changed that it appeared there was no longer any need for the services, the syndicate could so advise prior to January 1, 1962, and under those circumstances the syndicate would not be liable to pay the second £4,000 installment of the fee.

Notes: Mr. Gardner reported to the Senate Finance Committee in a letter dated June 25, 1962, receipts of $11,121.89 on July 26, 1961, and $11,220.95 on January 12, 1962. He also stated that no additional fees were due the firm regardless of whether Mauritius obtains a sugar quota. Expenses were listed at $184.38.

MEXICO

Oscar L. Chapman.

Client: Union Nacional de Productores de Azucar, S.A. de C. V.

Contract: Term of the agreement is for 4 years beginning January 1, 1961.

Fee: An annual fee of $50,000 U.S. currency in quarterly payments of $12,500 on the first day of the months of January, April, July, and October of each year, and in addition to the above for one time only 25 cents per tons of increase in Mexico's basic or permanent quota of sugar exports to the American market, which amounted to 115,809 tons in 1960.

NICARAGUA

I. Irving Davidson.

Client: Government of Nicaragua.

Contract and fee: In a letter dated June 26, 1962, to the Senate Finance Committee Mr. Davidson stated he had no specific agreement with the Government of Nicaragua concerning any compensation for his lobbying activities for the sugar quota. "If needed, the sum of $500 will be allotted for those expenses from my overall public relations fee."

Notes: In reports filed with the Department of Justice, Mr. Davidson has reported receiving $1,000 a month from the Government of Nicaragua although no written contract is on file.

NICARAGUA

Ganson Purcell (Purcell & Nelson).

Client: Nicaragua Sugar Estates, Ltd.

Contract: The firm states that its representation is terminable at any time and is not contingent upon the oucome of legislation pending before the Congress. A quarterly retainer fee is charged.

Fee: Fees and reimbursement of expenses received for representation of Nicaragua Sugar Estates, Ltd., February 2, 1960, through June 20, 1962, were reported to the Senate Finance Committee by Purcell & Nelson as follows:

Fees and reimbursement of expenses received for representation of Nicaragua Sugar Estates, Ltd., February 2, 1960, through June 30, 1962

Feb. 2 through Sept. 30, 1960:	
Initial retainer	$2,500.00
Additional fees	2,500.00
Expenses	190.28
Subtotal	5,190.28
Oct. 1, 1960, to June 30, 1962:	
7 quarterly retainer payments of 1,250 each	[1] 8,750.00
Additional fee for January through March 1962	750.00
Expenses	364.91
Subtotal	9,864.91
Total	15,055.19

[1] During May and June 1962, extensive work has been done in connection with the preparation of evidence for presentation before the House Committee on Agriculture and the Senate Finance Committee. Charges for services rendered during the current quarter are, therefore, expected to exceed substantially the $1,250 retainer. Expenses for the period have not been determined but will not differ in nature from those previously incurred.

PANAMA

Wesley E. McDonald, Sr.

Client: Asociacion Nacional De Productores De Asucar.

Contract: To represent the association at any hearings held before the Senate committee on the matter of increasing the quota of sugar for Panama.

Fee: An inclusive fee of $1,500 plus expenses.

PERU

John C. Duncan.

Client: In a letter dated June 25, 1962, to the Senate Finance Committee Mr. Duncan stated that he testified before the committee as an official of W. R. Grace & Co. which owns sugar properties in Peru. "This was done at the request of other Peruvian sugar producers. I have no agreement with and will receive no payment from the Peruvian producers."

Note: Mr. Duncan is not registered with the Department of Justice as a foreign agent.

PHILIPPINES

John A. O'Donnell.

Client: Philippine Sugar Association.

Contract: Present contract period from January 1, 1961, to December 31, 1962, to

serve as general counsel in Washington of the Philippine Sugar Association.

Fee: $2,500 a month including expenses.

EL SALVADOR

Rocco C. Siciliano.

Client: Sugar Producers Association of El Salvador.

Contract: Basic retainer fee for calendar year 1962 for legal services and representation of the association before Congress and executive agencies.

Fee: Financial terms set forth by Mr. Siciliano are as follows:

"1. $10,000 basic retainer for calendar year 1962.

"2. Should further services be desired during calendar year 1963 a basic retainer of $15,000 payable in equal installments at the beginning of each quarter.

"3. Reimbursement of necessary expenses including travel will be paid upon proper itemization."

This contract was signed June 21, 1962, 9 days before the bill ran out.

REPUBLIC OF SOUTH AFRICA

John R. Mahoney (Casey, Lane & Mittendorf).

Client: South African Sugar Association.

Contract: Verbal agreement reached in May 1961.

Fee: Casey, Lane paid in accordance with the time charges expended by partners and associates of the firm at rates ranging from $12.50 to $50 an hour depending upon which partner or associate worked on the matter. Expenses to be reimbursed.

Note: Mr. Mahoney in a letter dated June 25, 1962, to the Senate Finance Committee states that the firm of Casey, Lane & Mittendorf has neither asked for nor received a retainer fee and that no contingency fee of any type is involved. Time charges for February and March 1962 were listed as approximately $4,900 and expenses $49.45.

Mr. FULBRIGHT. Mr. President, when the Senator from Tennessee asks what is the explanation, I say the nearest explanation I have found is contained in those records with regard to lobbying. They constitute the only explanation which appears to have any relevance to some of the quotas, so far as I have been able to ascertain.

Mr. GORE. Did the Senator from Arkansas say Argentina did or did not employ lobbyists?

Mr. FULBRIGHT. Argentina did not have a lobbyist and was left out. Mauritius, which did have a lobbyist, was left out.

I hold in my hand a telegram which I ask unanimous consent to have printed in the RECORD.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

WASHINGTON, D.C., *June 30, 1962.*

Senator J. W. FULBRIGHT,
Senate Office Building,
Washington, D.C.:

Reference sugar bill. I call your urgent attention discriminatory exclusion of Argentine quota of 20,000 tons in approved version of House subject to prompt Senate consideration. Argentina only Latin American sugar exporting country excluded while others in similar condition from Europe, Africa, and Asia have been granted old and new quotas including highly developed countries. No other quota country faces such large trade deficit vis-a-vis United States as Argentina. This means serious setback in Alliance for Progress efforts. I request friendly gesture toward Argentina by Senate including Argentina quota 20,000 tons. Regards,

ROBERTO ALEMANN,
Argentine Ambassador.

Mr. FULBRIGHT. Mr. President, the telegram is from the Argentina Ambassador, who, of course, is the legitimate representative of Argentina in this country; he is not a hired lobbyist, as are the ones to whom I referred a moment ago—U.S. citizens who have been employed by foreign governments to plead their cause before Congress.

In the telegram the Argentine Ambassador states:

Reference sugar bill, I call your urgent attention [to] discriminatory exclusion of Argentine quota of 20,000 tons in approved version of House, subject to prompt Senate consideration. Argentina [is] only Latin American sugar exporting country excluded, while others in similar condition from Europe, Africa, and Asia have been granted old and new quotas, including highly developed countries. No other quota country faces such large trade deficit vis-a-vis United States as Argentina.

And I think that is true. Argentina buys from us, but has a deficit in her trade.

I read further from the telegram:

This means serious setback in Alliance for Progress efforts. I request friendly gesture toward Argentina by Senate's including Argentine quota [of] 20,000 tons.

Mr. President, one interesting thing about Argentina is that it is not necessary to build up a sugar industry there, as is necessary in the case of some of the other countries referred to, for Argentina has been exporting 150,000 tons a year, for the world market. Argentina trades with us, but has a deficit in her balance of payments. She did not employ a lobbyist with regard to the Sugar Act. I do not want these remarks to be interpreted by any other countries as urging them to employ lobbyists, because I do not think it is a good practice. In one case, just a week before this bill was to be taken up, a Washington lawyer made a deal with a foreign producing association involving a very substantial sum of money to be paid for lobbying before the Congress. I do not think that is good practice. That does not take place in connection with other agricultural bills, so far as I know. We hear from representatives of the American Farm Bureau or the Farmers Union, who are well known, and are on the payrolls of those institutions. But they are not paid exorbitant sums of $10,000 a month or $50,000 a year, or contingent fees of $100,000, to help in connection with the passage of a single bill. I have not heard of anything like that in connection with any other agricultural bill.

Representatives of various agricultural organizations come to see me as they see all other Members of Congress; usually they are representatives of the farm cooperatives and similar organizations. I do not think there is anything wrong with that, for they are very helpful, inasmuch as most of them are well informed. But they do not engage in the kind of frenetic activities which have been indulged in in connection with this sugar bill.

Incidentally, staff members who went to the Department of Justice to inspect the records in connection with foreign agent registrations discovered that the registration law is amost being ignored, insofar as many of its requirements are concerned. Lobbyists do not file the details of their agreements. The law requires periodic filing, with details as to what they are paid and what the money is spent for. But in some cases they file only generalized statements, without any itemization regarding what was done with the money or without other details the law requires. In other words, the law is flouted by many of them—although occasionally one will file properly. But the theory of that act, which was passed in 1938, was that by revealing what those employed by foreign countries do—the act does not provide any penalty for being employed by another country; it is prefectly legitimate to be employed as a lobbyist, but those thus employed are required to reveal the facts—the act will operate as a sufficient restraint, so as to prevent abuse. But now we find that many of them do not abide by that law.

Furthermore, I think the information we did receive indicates exorbitant payments by some countries, including countries which, ironically enough, can not afford to make such payments unless we make these large subsidies available to them. For example, consider Panama, which is friendly to us. We have many ways of helping her—for instance, in connection with our Panama Canal Treaty. That is perfectly legitimate, and we have revised it once; but times change, and further revisions may be justified. Panama has a sugar allocation of 4,000 tons under the present act, but the conference report would increase it to 15,000 tons. However, the State-Agriculture report shows that the current production of sugar in Panama available for export is only 5,000 tons.

So here we have a case in which the country is not producing the quota authorized by the conference report.

The argument is made that at the end of 2 years we can stop it or we can take another look at it. Look at the situation when a country is producing only 5,000 tons, and we induce her to increase production to 15,000 tons in order to get a large subsidy. At the end of 2 years, do Sentaors think we are going to say, "No longer"? The foreign country has a large investment in cultivation and preparation of soil, which is not an easy thing. The theory is that it can be cut back, but I do not think it will be done. All that will be done will be to inspire uneconomic sugar production in Panama. We shall really be doing that country an injury in the long run. We shall be doing a shortrun injury to Panama if we remove the subsidy, or a longrun injury to the American taxpayer if we do not. It is a bad thing, in my opinion.

In 1961 the United States authorized the purchase of 10,000 tons from Panama but that country was able to supply only 7,700 tons, and all of that was refined sugar, which I assume under this bill could no longer come into this country. We are holding out a carrot to her to increase her production over a 2-year period, at the end of which time inevitably there will be a demand to continue, and it will be a just demand.

For Guatemala the conferees provided a 20,000-ton quota. In the past 3 years production in Guatemala has increased

100 percent. In 1961, the United States authorized Guatemala to sell us 17,000 tons, of which she was able to supply only about one-half.

Early this year she sought aid from the Export-Import Bank for a sugar mill which was justified on the basis of sugar sales at premium prices to the United States. This loan was very properly refused. But here again this bill is inducing them to produce for the American market.

El Salvador has been given a quota of 10,000 tons. According to the State-Agriculture projection, she can produce 13,000 tons. In 1961 the United States authorized 12,000 tons, but El Salvador could not supply the last 600 tons.

Again, El Salvador is one of the small, poor countries paying an exorbitant fee to a lobbyist to obtain a quota, which will create a new high-cost industry tied to the U.S. market. It is no argument to suggest that the Dominican Republic is getting a quota and so should others. People say, "Why the Dominican Republic?" At least she has a tradition of production and supply, just as Louisiana does.

The conferees provided Ecuador with a quota of 25,000 tons. The State-Agriculture projection shows that she will be able to produce a much lesser amount. Her production has increased substantially in anticipation of this quota.

Similarly with Paraguay, a country which has received a quota of 10,000 tons in the conference report. The Agriculture-State projection shows an ability to produce 9,000 tons, 1,000 tons less than the quota in this bill. It would have the same effect on Paraguay, getting her to increase an industry beyond what it is now capable of producing.

All of this is very bad policy and I believe will inevitably lead to disappointment on their part or to disaster on our part.

If times do not change pretty substantially, we probably shall be forced to do something sooner or later, most likely under difficult conditions.

If we do not have the foresight to see what is going to happen and take measures now, we are asking for disaster.

I have further remarks, but they have been covered so well by the Senator from Illinois that I know they would be repetitious, and I see no reason to further belabor the RECORD.

While I am on my feet, Mr. President, I ask for the yeas and nays on the conference report.

The yeas and nays were ordered.

Mr. FULBRIGHT. I hope the Senate will review the record.

One last word. Much has been said about what will happen if this matter goes over for a few days. I invite attention to pages 78 and 79 of the Senate Finance Committee hearings. This question was raised with Mr. Murphy and Mr. Myers, who is the head of the Sugar Division of the Agriculture Department. It is very clear from them that no disaster would occur, if this matter were to go over for a few days for further consideration. It is very clear from this statement that if the Senate were to reject the report, and it went back to the House, in the light of these new discussions, the House might find it possible to go along with the Senate's version of the bill, which certainly was infinitely better than the conference report. I think it is worth the effort.

Mr. WILLIAMS of Delaware. Mr. President, I join the Senator from Arkansas in expressing disappointment over the conference report. As one of the conferees, I did not sign it because it went too far in accepting the allocation of basic quotas to many foreign countries.

Under the House-approved bill, permanent allocations of basic quotas were made to 25 countries. The conference report provides for basic quotas to 24 countries, with 2 countries deleted and another added. Argentina has been eliminated, but apparently there is a movement afoot to give Argentina its quota under a later bill. The other country deleted was Mauritius, but, on the other hand, the conferees added to the bill the Republic of Ireland.

So far as the allocation of basic quotas are concerned, the only difference between the bill as approved by the conference report, and the bill sent over by the House, the so-called Cooley bill, is that the Republic of Ireland has been substituted for Mauritius. Apparently, there are more Irish votes in Boston than there are Mauritians.

Anyway, Ireland gets an allocation of about 10,000 tons as basic quota at the premium payment rate.

As the Senator from Arkansas pointed out, there is no deadline on the enactment of this bill. We have been told by representatives of the State and Agriculture Departments that if this bill is defeated we can in the next week or two enact the necessary legislation to protect the domestic industry. There would be no harm so far as the domestic industry or consumers are concerned. I am in harmony with the statement that the domestic industry should be protected. I would support the introduction and enactment of the necessary legislation to protect the American sugar producer, but I do not think it is necessary to give subsidies to producers of 24 or 25 countries scattered throughout the world in the name of protecting the American producers.

The argument has been made that the Senate won a great victory in the conference. I do not see such a great victory—quite the contrary. The House got practically all that for which it asked. Under the Senate version of the bill the Republic of Peru would have had a basic quota of 121,507 tons. Under the House version of the bill, it would have had 200,000 tons. But under the conference report it has 190,000 tons, a cut of only 10,000 tons. The Dominican Republic had 111,157 tons under existing law. The House proposed to give it 200,000 tons. The conference report gives it 190,000 tons, or a cut of only 5 percent.

The Senate bill and the administration's proposal provided that each country should keep its basic quota as provided under existing law, but the Senate bill provided that the premium payments on these basic quotas would be reduced 20 percent annually over the next 5 years.

Mexico had 95,409 tons of basic quota under the existing law. The bill as passed by the Senate carried over existing law. The bill as passed by the House proposed to give to Mexico 200,000 tons. The conference report gives a quota of 190,000 tons to Mexico.

Brazil had no basic quota under the existing law, nor was there any quota provided under the bill as passed by the Senate. The bill as passed by the House would provide for Brazil 190,000 tons, and the conference report would give Brazil 180,000 tons as basic quota.

The administration, speaking on behalf of the President, made what I thought was an excellent argument against the permanent allocation of basic quotas to foreign countries on the basis that once these basic quotas are allocated they cannot be taken away without creating misunderstandings. I completely agree with that position of the administration. I regret to say that apparently the administration has run out on that position over the weekend.

The British West Indies, under the existing law and under the Senate bill, had a quota of 84 tons. Under the bill as passed by the House, the British West Indies would have been given 100,000 tons. The conference report would authorize 90,000 tons. That would be an increase from 84 tons basic quota under the law to 90,000 tons under the conference report.

Again, as the President said, once the basic quota is allocated with the provision that the country may keep it for 2½ years it will create almost an international incident to attempt to take it away.

Australia had no basic quota under existing law, nor was any quota provided under the bill as passed by the Senate. Under the bill as passed by the House, Australia would have been given 50,000 tons. The conference report gives 40,000 tons.

The French West Indies had no basic quota, either under existing law or the bill as passed by the Senate. The House bill would have provided 40,000 tons. The conferees have recommended 30,000 tons.

Costa Rica had a quota of 3,968 tons under existing law as well as under the bill passed by the Senate. The bill as passed by the House would have provided Costa Rica with 30,000 tons. The conference report recommends 25,000 tons.

Nicaragua had a basic quota under existing law of 17,471 tons. The bill as passed by the House would have provided 30,000 tons. That figure has been cut back to 25,000 tons.

The Republic of China had a basic quota of 3,980 tons under existing law; the same would have been provided under the bill as passed by the Senate. The House recommended a quota of 45,000 tons, and the conference report would make that 35,000 tons.

Ecuador had no basic quota under existing law. The recommendation for Ecuador in the bill passed by the House was 30,000 tons. The conference report provides for 25,000 tons.

Columbia had no basic quota under existing law nor under the Senate bill. The House proposed a quota of 35,000 tons, and the conferees would authorize a quota of 30,000 tons.

Haiti had a quota of 8,268 tons. The House proposed an allocation of 25,000 tons, and the conferees have recommended 20,000 tons.

Guatemala had no basic quota either under existing law or under the bill as passed by the Senate. The House recommended 20,000 tons, and the conference report recommends the full 20,000 tons.

Argentina had no basic quota under existing law or the Senate bill. The recommendation in the bill as passed by the House for Argentina was a quota of 20,000 tons. The conference committee recommends no basic quota, although I would judge after listening to some of the arguments which have been made here this afternoon that Argentina may come out in the end better than some of the other countries the way its prospects are snowballing. I understand there is a proposal to hook the sugar quota for Argentina to a bill dealing with honey bees. If we ever attach sugar to honey it will be hard to tell how sweet the solution will be—that is, to all except the taxpayers.

India had no basic quota either under existing law or the Senate bill. The House recommended a quota of 30,000 tons in its bill, and the conferees recommend 20,000 tons.

South Africa had no basic quota under present law or the Senate bill. The bill as passed by the House would have allocated 20,000 tons to South Africa. The conference committee approved the full 20,000 tons.

Panama had a basic quota of 3,980 tons under existing law. The bill as passed by the Senate provided for the same quota. The House proposed a quota of 15,000 tons. The conferees have agreed to the 15,000 tons.

El Salvador, Paraguay, British Honduras, and the Fiji Islands all had no basic quotas under existing law, and the Senate bill gave them none. The bill as passed by the House would have provided 10,000 tons of basic quotas for each of those countries, and that allocation is recommended in the conference report.

The Netherlands had a basic quota of 4,149 tons under existing law, and that was the quota carried in the bill as passed by the Senate. The bill as passed by the House would have raised that quota to 10,000 tons, and the conferees have agreed to that amount.

Mauritius is the little island off the coast of South Africa. It had no basic quota under present law. The Senate bill gave it none. It would have been given a 10,000 ton quota under the bill as passed by the House, but the conferees have stricken out the quota for Mauritius and instead have provided 11,332 tons for Ireland.

I might say that in the bill one cannot find Ireland mentioned by name. It was suggested in the conference committee that it might be less embarrassing politically if Ireland were not mentioned by name. Nevertheless, everyone recognizes that the unmentionable country which is to get this special quota is Ireland. Ireland has no quota now, and I understand there is presently no sugar-producing industry in Ireland, but in its generosity the Senate will now approve one.

Why it is necessary to provide $60 million to $75 million as an extra subsidy for these foreign producers throughout the world I do not understand. It certainly does not have to be done in the name of protecting American industry, nor does its allocation on such an arbitrary basis improve our foreign relations.

The President suggested—and on this point I am in complete agreement with him—that we should continue quotas only as provided under present law.

It was recommended, and the Senate bill so provided, that the program be phased out over a period of 5 years by reducing the premium payments for all foreign quotas by 20 percent per year. Thus at the end of 5 years the foreign subsidies would be totally eliminated, and we would be operating on a global quota basis, buying at world market prices.

Our domestic industry could be protected by a tariff or by a special import tax as is presently levied. Thereby, instead of the taxpayers paying a $160 million annual subsidy they could collect something in the Federal Treasury. If we bought the sugar on a world basis and if the world market price were below the domestic market price the difference would go into the Treasury rather than into the pockets of foreign producers.

The basic foreign quota as provided under existing law is around 370,000 tons, but there has been recommended an increase of about 825,000 extra tons under the conference report.

The conference report represents about 90 percent of the basic quotas for foreign producers as provided under the bill which was denounced as the so-called Cooley proposal. I was amazed to hear this afternoon that the administration is willing to accept this proposal, that the only objection the administration now has to it is that it does not go quite far enough. The administration now says it would like to have the authority to authorize these premium payment quotas on another 150,000 tons.

I point out that if this proposal is carried through for an additional $50,000 tons of quota to be allocated as the President sees fit then we will have established a basic quota for foreign countries in excess of what was provided in the original bill as passed by the House.

I am amazed that the administration is going to swallow this and reverse its position of last week. This represents a complete about face, considering what they told us as late as 6 o'clock last Friday afternoon. Then we were told by representatives of the administration that rather than take what they considered to be "this obnoxious bill" they would prefer to have no bill at all. The administration representatives even told the conferees that they were reasonably sure a veto of the bill would be recommended unless the firm allocation of these additional quotas at the high subsidy rate to the foreign countries were eliminated from the bill.

The administration representatives insisted that the President be given discretion to allocate the so-called world quota of sugar. I am sure that procedure would have resulted in a great savings for the taxpayers.

Another point is that one cannot allocate these quotas with the premium payments on a worldwide basis without interfering with foreign relations. We have seen examples of that. Argentina is already complaining because she has been left out. Another country does not think its quota is fair.

I do not think that the U.S. Senate is the place to be shuffling around these allocations. I do not think the Members of the Senate should divide up some $60 million or $80 million of subsidy for foreign producers.

The President for the past several weeks has been denouncing this proposal. I am sorry that he has reversed his position and is now endorsing the proposal.

I conclude by pointing out that the major difference I see in the allocations of the basic quotas as provided in the House bill and in the conference report is that the Republic of Ireland is to be substituted for the island of Mauritius.

FISCAL RESPONSIBILITY REQUIRES LESS GOVERNMENT SPENDING

Mr. WILLIAMS of Delaware. Mr. President, the call of the U.S. Chamber of Commerce for a $5 billion to $8 billion tax reduction in the face of a multi-billion-dollar Federal deficit is in direct contradiction to every principle of sound business economics for which this organization has always stood.

Obviously a tax reduction at this time can only be financed by further increasing the national debt since we are already operating the Government at an annual deficit rate of over $7 billion.

To cut taxes now in the face of this continuing deficit and before a corresponding reduction in expenditures has been achieved would be the height of fiscal irresponsibility, and such action would be an open admission that the Congress and the administration do not have the courage to place a price tag on the many new spending programs which are being dreamed up daily on the New Frontier.

I notice that the Governors of New York, Ohio, and California have joined President Kennedy and the chamber of commerce in the parade calling for an immediate tax reduction.

Significantly, last week at the Governors' conference we find that the Governors were still calling for more and more Federal aid from Washington.

These Governors, as well as the President and the U.S. Chamber of Commerce, know full well that a tax cut in the face of a continuous rise in Government spending would lead to a stagger-

we hire the young man who has been a high school or college debater. The chance is that he learned to analyze his arguments and those of his opponents, to present a maximum amount of information in a minimum time and to think on his feet. More important, he has learned a degree of objectivity, so important in decisionmaking.

In the age of complexity, it is essential that the courses and their teachers continually maintain touch with the overall objective of the student's education—with the real world in which this learning will be applied. For instance, in the field of science and mathematics, there are so many actual problems that it is not desirable to clutter up the minds of our students with those which are not likely to occur. It is essential that our education continually emphasize the practical—keep touch with reality. We haven't time not to do so.

Finally, education in the age of complexity must concentrate on improving the ability of people to think—accurately, intensively, rapidly, and objectively. This means courses in rapid reading. It means training in recognizing the point of diminishing returns, so that time is not wasted on items of no consequence. It means a recognition that the most valuable commodity, and the most valuable asset of our country today, is the consecutive time spent by its good people thinking about things on which they are experts. I emphasize the word "consecutive," because nothing is so inefficient even to the best of brains as to have too little time to think about a problem. But it also means that, if there is any single objective which merits the fullest support of our society and our Government, it is that objective of medicine or psychology or electronics aimed at improving the mental capacity of the individual. This is the absolute improvement. It is the improvement which regenerates itself and from which dramatic progress in all facets of life will spring.

The challenges of the age of complexity are many. A requirement for meeting these challenges is a system of education geared to the changing conditions of an exploding technology and a new era of interrelationships far more complex than any with which we have been familiar in the past. It is up to every member of society to help our educators do their most important part in successfully meeting these challenges and changing the age of complexity from an age of incipient frustration and confusion to a new age when man is truly master of his life.

ONE HUNDREDTH ANNIVERSARY OF THE SIGNING OF THE MORRILL LAND-GRANT ACT

Mr. ALLOTT. Mr. President, today, July 2, 1962, is the 100th anniversary of the signing of the Morrill Land-Grant Act by President Abraham Lincoln. This memorable act is, of course, responsible for the granting of public lands to the States and territories for the purpose of establishing and supporting of colleges and universities designed to promote liberal and practical education for the youth of our Nation.

Today there are 68 land-grant colleges and universities in existence as a direct result of the Morrill Act. One of these, I am proud to say, is today one of the leading universities of my State of Colorado—or perhaps I should say one of the leading universities in the land, located in my native State of Colorado.

I am referring, of course, to Colorado State University located in Fort Collins, Colo. Colorado State University is a coeducational land-grant institution located in the valley of the Cache la Poudre River, where the Great Plains meet the foothills of the Rocky Mountains. It is the oldest State educational institution in Colorado, having been established by the territorial legislature in 1870. Classes began in 1879, and three students constituted the first graduating class. Today, more than 6,500 students are enrolled.

In addition to academic instruction, Colorado State University is responsible for operation of a research foundation, an experiment station for research in agriculture, engineering, and home economics, and the extension service which disseminates information throughout the State in agriculture and home economics. The State 4–H program also originates at Colorado State University.

The university is 5,000 feet above sea level, 65 miles north of Denver, and 45 miles south of Cheyenne, Wyo., at Fort Collins, Colo. Fort Collins is noted for bright clear days. The air is dry and relatively free from dust, with annual precipitation of 14.77 inches. Quarterly temperatures means are January, 26.1; April, 46.1; July 69.4; and October, 48.6.

The 68 land-grant colleges and universities are very fittingly devoted this centennial year to a look ahead. The past is being reviewed carefully to determine those areas in which improvement may be indicated, but the emphasis is on the future.

I know the Senate will join with me today in commemorating this milestone in the history of these great educational institutions, and in wishing them all success in attaining the goals they have set for themselves as they embark on their second century of progress. And, I hope the Senate will join with me as well, in a tribute to a Congressman from the great State of Vermont, Justin Smith Morrill, who in 1862 had the foresight to propose this historical piece of legislation offering each State 30,000 acres of Federal lands or land scrip for each of its Members in Congress, to be sold and the proceeds to be used to endow at least one college in the State.

We in Colorado are proud of Colorado State and its many contributions to our State. We are grateful to those who, in their proven and practical wisdom, were able to foresee the need for such institutions and had the courage to carry their beliefs through to a successful culmination.

INCREASE IN PRODUCTIVITY CREATED BY ADDITIONAL CAPITAL INVESTMENT

Mr. ALLOTT. Mr. President, I have recently been in correspondence with Mr. John S. Carlson, a lawyer in Tulsa, Okla., whom I have known for some 30 years, who is the son of a former Governor of Colorado, and who himself is a Phi Beta Kappa and a Rhodes Scholar.

In a letter to me of June 22, 1962, he points out some very unusual but nevertheless, I believe, very sound approaches and conclusions with respect to the recent controversy arising from the steel price dispute between the administration and the steel companies.

I believe that the conclusions he has arrived at will help all people to arrive at a sounder evaluation of the circumstances and conditions which resulted in that particular affair.

I ask unanimous consent that the letter may be printed in the RECORD at this point in my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

In re Kennedy versus United States Steel. Fallacious conclusions reached by misappropriation of increase in productivity created by additional capital investment.

TULSA, OKLA., *June 22, 1962.*

The Honorable GORDON ALLOTT,
Senator from Colorado,
Senate Office Building,
Washington, D.C.

DEAR GORDON: The increase in employee benefits negotiated earlier this year by the steelworkers was adjudged to be within the limits of the administration's formula. The administration declared it to be noninflationary on the basis of the increase in productivity. To my knowledge, the right of Kennedy and labor to measure the wage increase as being within the "increase in productivity" has not been seriously questioned. Although this increase in productivity is primarily, if not solely attributable to the investment of additional capital, it was commandeered by Kennedy for labor. Apparently no one has questioned their right to arrogate it to their own use in justifying the determinations made. Meanwhile the steel companies whose additions to capital created the increase were derisively denied relief. Once again we have been deluded by the sophisticvated reasoning now rampant in Washington. Perhaps we have become so enchanted in the aura of Kennedy sophistication that we are no longer capable of applying clear and simple reason and logic.

By what process of logic, law or reason did labor acquire the right to appropriate the increase in productivity created by additional capital investments? To this day I have not seen any public announcement by the press, by any public figure, or by any representative of the steel industry, discussing this concept which is basic to the issues raised by Kennedy's action in his bout with United States Steel. It is indeed pertinent to inquire: Who created and what caused the increase in productivity in the steel industry?

No claim has been made that the increase in productivity is the result of more vigorous and strenuous efforts by the laborers. No one has questioned that the increased productivity is directly attributable to increased efficiency of plant and equipment resulting from increased investment by the steel companies.

Nevertheless Kennedy and his apologists have repeatedly described the increased labor benefits negotiated this year by the steelworkers, and sanctioned by the Government, as noninflationary because the increased benefits were within the limits of the increase in productivity. Thereafter vigorous and unprecedented Executive pressures were used to stop an attempt on the part of certain steel companies to increase the price of steel.

Repudiation of the specious reasoning propounded by Kennedy and his apologists is inevitable and immediate upon reaching a clear understanding of the reason why productivity rose and who was responsible for the rise. The increase in productivity in the steel industry was primarily, if not

solely due to increased investment of capital.

It would be useful to consider comparable situations in simplified form. If I buy a power lawn mower to replace a manually driven lawn mower and the user is thereby enabled to cut three times the area of grass in the same period of time, should his wages be increased from $2 per hour to $6 per hour? If a bank lends an additional $100,000 as an addition to a $1 million, 6-percent loan, would anyone say that the additional $6,000 interest per year should be paid to the bank clerks and denied the banks? If a tractor is purchased to replace horses and the number of acres of land plowed in 1 day is thereby quadrupled, would the erstwhile driver of the horses received a fourfold wage increase as a result of the increase in productivity? In each of these instances, the increased productivity was caused by an increase in the capital invested or used. The establishment of an arithmetic or mathematical formula relating increased productivity to wages would be impossible.

I wish it to be crystal clear that I make no issue of the wisdom or propriety of the increase in wages under discussion here. My point is that by specious reasoning the basis of the increase in employee benefits has been misstated. The real issues have been beclouded with muddled thinking. As a result a number of fallacious conclusions have been reached which could be avoided by an honest, straightforward recognition of the true basis of the wage increase.

This is not written to question the increase. I believe in a high standard of living for the largest percentage of the population feasible. I also believe in a healthy and expanding economy. In addition, and contrary to the apparent belief of many, the achievement of this result is enhanced when issues are discussed with clearheaded reality and represented to the public in this manner. When a wage increase is made, let the true reason for the increase be stated by those who sponsor or support it. In my judgment, the use of a false premise to justify such an action is either the result of fuzzy thinking or downright misrepresentation. The former could only indicate ineptitude and the latter involves the employment of deceit. In these times, we cannot tolerate occupany of high positions of responsibility and trust by persons who are either incompetent or dishonest.

Let us not be misled by justification of a wage increase on a spurious basis which can bear no relationship to the real reason for its being granted. Such woolly thinking beclouds the fact that higher costs are inevitably caused by the higher wages. Success by the sophist in creating this confusion permits him to lead us to a second mistaken conclusion. He then explains that the higher labor costs are merely an offset to the increase in productivity. Therefore, the increase in wages did not create an increase in costs to exceed the permissible amount, i.e., the amount of the added productivity. Using this final fallacy as the basis of his reasoning, he then concludes that no price increase is needed to compensate the investor for the increase in wages.

I cannot avoid observing that the cleverist mathematician cannot produce a correct answer to a problem in arithmetic if his original assumption is that 2 times 2 equals 7. Whatever arithmetic gymnastics are employed thereafter, the answer will always be wrong. In like manner, the most adept deceiver cannot establish a formula reliant upon the relationship of cause and effect of economic forces when no causal relationship exists between the two. Nor can adroit linguistic legerdemain vitiate the existence of true cause and effect when they are present. The simple facts are that the higher productivity was caused by the added investment and was in no way caused by or related to labor's activities.

If we assume that a 5-percent increase in productivity were caused by an increase in investment of exactly 6 percent and if, in these circumstances, wages were increased by an amount sufficient to absorb the increase in productivity, the investor would receive nothing for his added investment. In such event, labor would be the beneficiary of something to which it made no contribution while the actual creator would remain unrewarded. A windfall to one—confiscation of the property of the other.

When increased capital investment increases productivity, the cause has been the increased investment and the effect is the greater productivity. In these circumstances we cannot conjure up any causal relationship between this enlargement of productive capacity and the efforts of the laborers. Hence, attribution of this increased productivity to justify a wage increase is specious.

By employing the foregoing economic fantasy Kennedy dodged the right of the steel companies to increase prices to offset increases in labor benefits. These two factors do have a direct causal relationship.

Increases in capital invested caused increased productivity. Labor did not contribute in any substantial way to this increase in productivity and hence it has no causal relationship therewith. Increased wages do cause increases in costs. When wages go up, costs increase. No justification exists to divert the benefits of increased capital investment from the investors and transfer them to labor.

Recognition of the economic factors having real causal relationship with each other in this situation dispels the confusion and makes the real issues stand out in bold relief.

To the extent that the increase in productivity created by added investment is transferred to labor and denied to the investor, the investor's additions to capital are effectually confiscated. He is thereby deprived of the benefits of the productive capacity of his property. Stagnation of industry is inevitable when the fruits and benefits of investment are subject to arbitrary appropriation and thereby taken from the true owners and awarded to others. No wise investor will continue to increase his investment in property, plant or equipment if the anticipated return therefrom is subject to willful and capricious appropriation by supervening authority.

The issues in the steel dispute have been presented to the public in a confusing manner by the administration. The use of false grounds to obtain public acceptance of the propriety of a wage increase is political chicanery. When used to deny the right to compensation for the resultant increase in costs, it is doubly opprobrious.

I sincerely believe that politicans can be and should be statesmen. I also believe that occupancy of a high political position in this great Nation of ours requires the highest degree of integrity, honor and truthfulness. It is a high and worthy calling where great good can be accomplished. I believe that the great majority of the American people have the same feeling and that they enthusiastically support men in political office when they possess and practice the basic virtues.

I cannot believe our present administration is totally incompetent. I therefore am forced to the conclusion that the obfuscation of issues, having direct and serious effect upon the economy and the daily lives of each of us, is deliberate. Would that it were not so.

Yours very truly,

JOHN S. CARLSON.

SUGAR ACT AMENDMENTS OF 1962—CONFERENCE REPORT

The Senate resumed the consideration of the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 12154) to amend and extend the provisions of the Sugar Act of 1948, as amended.

Mr. KERR. Mr. President, I should like to direct a question to the Senator from Louisiana. On page 6 of the conference report there appears section 7 (e)(1), as follows:

(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

The bill makes provision for a certain allocation, including 10,000 tons of direct-consumption sugar, which, according to the understanding of the Senator from Oklahoma, who sponsored the amendment in the Senate, and from what he understood from the conferees, would make it possible for the allocation of that much to be made to the country of Ireland. The question I should like to ask the Senator from Louisiana is whether it was the intent of the conferees, in the event the Secretary of Agriculture, on his behalf or that of the President wanted to allocate, under the authorization for the 10,000 tons, to the country of Ireland, the language setting forth the authority for the allocation in the bill is such that it would not be adversely affected or denied either by what I have just read or by any other section of the bill.

Mr. LONG of Louisiana. It was the intention of the conferees that Ireland should be eligible for this allocation of direct-consumption sugar. It was intended that this should not be defeated by any other provision in the bill.

Mr. KERR. The Senator from Oklahoma understands that the chairman of the House conferees made that very plain on the floor of the House. I should like, if it is consistent with accuracy, as I understand it to be, to have made perfectly clear on the floor of the Senate the understanding of the Senate conferees.

Mr. LONG of Louisiana. That was the understanding of the Senate conferees. I believe it will be reflected in the statement on the House side by the chairman of the conferees when he submitted the report on the part of the managers of the House.

Mr. KERR. I thank the Senator.

Mr. LONG of Louisiana. Incidentally, I believe it should be stated that Ireland has a sugar industry and produces substantial amounts of sugar.

Mr. KERR. And exports sugar. Is that correct?

Mr. LONG of Louisiana. That is correct.

Mr. FULBRIGHT. Mr. President, will the Senator yield for a question on that point, with respect to Ireland?

Mr. LONG of Louisiana. I yield.

Mr. FULBRIGHT. Who has the floor?

Mr. LONG of Louisiana. The Senator from Oklahoma has the floor.

Mr. KERR. I yield to the Senator.

Mr. FULBRIGHT. The Senator said that Ireland has a sugar industry and exports sugar.

Mr. KERR. Yes.

Mr. FULBRIGHT. Does it export sugar which it produces?

Mr. KERR. That is the information I have. The statement on the floor of the House on the part of the chairman of the managers of the bill on the part of the House, that was to the effect Ireland exported in the nature of 15,000 tons a year.

Mr. FULBRIGHT. Is it not true that it has imported 50,000 tons of raw sugar during each of the past 5 years?

Mr. KERR. I am not in a position to answer that question.

Mr. FULBRIGHT. I am. The fact is that it has imported that amount of sugar. I have a table issued by the International Sugar Council in its statistical bulletin dated April 15, 1962. Ireland has imported some 50,000 tons of raw sugar. It processes this sugar and re-exports it.

Mr. KERR. I understand that it is exported in two forms; first, in manufactured products—candy, and so forth—and, second, in refined sugar.

Mr. FULBRIGHT. That is correct.

Mr. KERR. It has exported in excess of 15,000 tons a year of refined sugar. What it had exported or imported was not in the mind of the Senator from Oklahoma when he offered the amendment on the floor, which was contained in the bill as it passed the Senate. My information was that it was the intent of the conferees that authority for the President to allocate that amount of a quota of direct consumption sugar was retained in the bill by the conferees. That was the statement of the chairman of the managers on the part of the House, which was made on the floor of the House. I merely confirmed it by asking the same question of the manager of the conference report on the floor of the Senate.

Mr. FULBRIGHT. Much has been said by the Senator from Minnesota and others about the danger of Cuban sugar. It so happens that Ireland imported from Cuba in 1957, 9,754 tons; in 1958, 31,030 tons; in 1959, 3,106 tons; in 1960, 20,167 tons.

Her principal suppliers have been Cuba and the Dominican Republic. Ireland does not have an excess of sugar.

Mr. KERR. The Senator from Oklahoma did not take the position that the production of sugar originated in Ireland.

Mr. FULBRIGHT. I want to clarify the RECORD. I gathered that from the response of the Senator from Louisiana, because he said it has an industry and exports sugar.

Mr. KERR. Yes. It has an industry and it exports sugar. It could not export it without an industry to produce it.

Mr. FULBRIGHT. The sugar exported is largely that which comes from Cuba and the Dominican Republic. During the past 4 years that has been the situation. I think the RECORD should show it. This is not relief that is being proposed for a producing country. Ireland refines and reexports sugar. That is what happens.

Mr. KERR. The observations of the Senator from Arkansas are perfectly pertinent. I am neither desirous of nor in a position to question their accuracy. I was only making legislative history with reference to the purpose of the conferees in connection with the language of the bill as passed by the Senate and as agreed to in conference. I regret that the Senator from Arkansas does not like it. However, that is neither here nor there. He is in perfect position to argue against it. I wish to make the record clear that the action of the Senate and the conferees resulted in a certain situation.

Mr. FULBRIGHT. I think this ought to be made clear on the record, with reference to the reasoning, if any. I do not know of any reason why it was allocated to Ireland any more than it was allocated to South Africa. I have not heard any reason given here all day.

Mr. KERR. I was not in the posture of trying to satisfy the Senator's curiosity for any reason.

Mr. FULBRIGHT. We are giving Ireland $1,600,000 in sugar purchases. That is what it amounts to.

Mr. KERR. Not at all. The language in the bill gives the President the authority to do it.

Mr. FULBRIGHT. The Senator has stated that he understands, and expects the President to fully understand.

Mr. KERR. No; it is the hope of the Senator from Oklahoma that the President will follow it; but he is not compelled to do so, as the Senator from Arkansas knows.

Mr. McCARTHY. Mr. President, as a general rule, I am opposed to having the Senate conferees retreat when they meet with the House; but in this case their retreat from the Senate position—or their advance from it—was, I think, a commendable one. I would have urged them to go somewhat further in making allocations of the Cuban quota which has been withdrawn from that country. I said in the debate on the bill last week that this program would cause us trouble. I did not think the trouble would arise as soon as it has. I think we have evidence today that the only unrealistic proposal that was made was to allocate a certain portion of the sugar that we purchase outside the United States to some countries and pay them a premium price, and then turn around and buy the rest of our supplies at what is called the world market, which really does not exist. What does exist, and is called the world market, is really a "dumping market."

We have set the stage for future trouble. From 5 o'clock to 7 o'clock is what might be called the hour of prophecy in the Senate, so I will prophesy: We will be back time and time again in the course of the next 2 years, seeking adjustment of the Sugar Act in such a way as to meet new problems and crises as they arise.

I should like to place in the RECORD references to three more or less international statements concerning the problem of sugar in international trade. The first is from the United Nations in its sugar report, which states:

> Sugar exhibits to an unusual degree the features which make an unregulated market undesirable.

The second reference is to the fact that the regulatory mechanism of the International Sugar Agreement has broken down because of Cuba's refusal to abide by its quota.

Third, under the agreement made at Punta del Este, we made a more or less formal attempt "to find a quick and lasting solution to the grave problem created by excessive price fluctuations in the basic exports of Latin American countries on which their prosperity so heavily depends."

Ttitle 4 of the charter deals with basic export commodities and states:

> National measures affecting commerce in primary products should be directed and applied to—
>
> * * * * *
>
> 2. Avoid market instability:
>
> Therefore:
>
> A. Importing countries should * * * be ready to support, by adequate regulations, stabilization programs for primary products that may be agreed upon with producing countries.

What we have done is to create greater instability than that which already exists in the international market. I wish the Senate might have taken more time to study the program, and that we might have fulfilled what I consider to be the constitutional resposibility of the Senate: to act as a kind of check upon the executive branch of the Government when it fails to meet its responsibility, particularly in matters touching upon international relations; and along with that, to act as a check in giving proper direction to the House of Representatives.

Mr. CLARK. Mr. President, when the sugar bill first came before the Senate, I reluctantly supported it, first, because I thought it was a much better bill than the iniquitous measure passed by the House, which at that time seemed the only alternative; and second, because the Senate bill at least got away from the logrolling procedures of the past by establishing out of the Cuban quota a global quota which could, at a later date, be reassigned to a free and democratic Cuba, or in the alternative could be used to support the democratic governments and economies of other sugar-producing states which might be under foreign or domestic totalitarian pressures, as, for example, the Dominican Republic.

Something has been and today on the floor of the Senate about the needs of the Dominican Republic. Some Senators think they are substantial; some think otherwise. My own view is that we in this country have an obligation to support the new democratic government of that Republic in any way we can. The case for the Dominican Republic is well stated in an article entitled "Dominicans Fear Crisis Over Sugar," published in the New York Times of today, July 2. I ask unanimous consent that the article may be printed at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

DOMINICANS FEAR CRISIS OVER SUGAR—UNITED STATES MOVES TO SOFTEN IMPACT OF QUOTA CUT—SENATE DUE TO ACT ON SLASH TODAY

(By Tad Szulc)

WASHINGTON, July 1.—White House and State Department officials worked throughout the weekend here trying to avert a major crisis in U.S. relations with the Dominican Republic over this country's new sugar legislation.

The new Sugar Act, approved yesterday by the House of Representatives and scheduled for Senate action tomorrow would, in the opinion of Dominican officials, greatly reduce their sugar exports to the United States.

The Dominican Government, struggling to carry out a transition to democracy and to move toward basic reforms after three decades of dictatorship, fears that this would lead to an economic collapse and a political upheaval that would favor the pro-Communist elements in the country.

Last night the Dominican Council of State issued a statement in Santo Domingo repeating its earlier intention to suspend all Alliance for Progress programs in the country if the new Sugar Act is signed.

The Dominican argument is that if the Republic is prevented from continuing to earn an adequate income through premium sugar exports, it cannot assume the burden of accepting loans under the U.S. aid program for Latin America.

The cost of producing sugar in the Dominican Republic is well above current world market prices. But by selling sugar in the United States, which pays a premium above world prices, the Dominicans are assured an income.

While the Kennedy administration sought to abolish the system of national quotas for sugar-producing countries, a compromise worked out Friday night in a House-Senate conference provided for payment of premiums on only 1,205,000 tons of imported sugar. This is about one-fourth the annual foreign purchases of the United States.

Furthermore, the premiums would be reduced gradually over the next 30 months.

Under the compromise version—the House bill had maintained in full the national quotas—the Dominican Republic would be awarded 190,000 tons annually, or 95,000 tons for the second half of 1962.

This compares with 476,000 tons that the Dominicans exported to the United States in the first half of the year, based on their permanent quota and a temporary assignment of nearly 4,000 from the frozen Cuban quota.

AN 80-PERCENT SLASH

In practice, therefore, the compromise bill would cut the Dominican exports to this country in the second half of the year to about 20 percent of what they were in the first half.

The big temporary assignment from the Cuban quota was given to the new Dominican regime last January, when the Council of State was established, as a gesture designed by President Kennedy to assist the Caribbean country in its transition toward democracy.

Although the administration has made it repeatedly clear to the Dominican Government that the big windfall of January could not be a permanent allocation, both United States and Dominican officials recognize now that the drastic reduction in the quota will have the effect of pulling the rug from under the new regime.

They concede that the loss of the sugar revenues would more than nullify the impact of the $25 million in Alliance for Progress loans already granted the Dominican Republic.

The point made by Dominican officials—and now recognized here—is that the sharp and sudden cutting of the quota may shatter all the efforts to lead the Dominican Republic toward democracy.

After the last remnants of the dictatorship of the late Generalissimo Rafael Leonidas Trujillo Molina were removed from the Dominican Republic in January, the United States saw in that country the bright promise of establishing a vivid contrast between the prosperity of a democracy there and the hardships under the Communist regime in nearby Cuba.

DISCUSSIONS DELAYED

But all these plans ran into the sugar problem, and a major crisis in relations has developed instead. Although the administration has considered a global quota system—removing the premiums and the national quotas—since last August, no effort was made until the last moment to discuss the situation with Dominican officials.

Dominican officials believe that if the United States had reviewed the problem with them some time ago, it may have been possible to work out quietly some method of phasing out the Dominican sugar from the premium market while assisting the country, through the Alliance for Progress, in programs for diversifying its economy.

But no such conferences were held until after a political crisis developed in the Dominican Republic 2 weeks ago when the House Agriculture Committee issued its list of quotas, reducing considerably the Dominican share of the U.S. market.

While the Dominicans were protesting the House bill, the new compromise version hit them even harder.

Only early last week did planning begin here in earnest on how to assist the Dominican Republic, after the realization spread in the administration that the Dominican situation was a special case affecting the U.S. national interest.

With the Senate vote on the compromise bill slated for tomorrow, high-ranking officials held urgent conferences all day yesterday and today. They sought to present the Dominican Government with acceptable proposals on shoring up its economy in the light of the blow that would be dealt the Republic by the sugar legislation.

PLAN GIVEN DOMINICAN GROUP

Tentative proposals were communicated to a Dominican delegation, headed by Finance Minister Ramon Caceres, which returned to Santo Domingo today.

Officials agreed that speed was essential, to avert the possibility that approval of the legislation might lead to a political explosion in the Dominican Republic, forcing what is an essentially pro-U.S. Government to take a hard nationalistic attitude.

The confusion surrounding the sugar legislation caused additional foreign policy problems today when Argentine Ambassador Roberto Alemann protested that a 10,000-ton quota for his country, granted under the House bill, was eliminated from the compromise bill. Argentina has never had a quota.

Mr. CLARK. Mr. President, the Senate conferees have now returned with a conference report which, in my judgment, is not much better than the House bill. I say again that I believe the Senate conferees did their very best. I commend the distinguished Senator from Louisiana [Mr. LONG] for his efforts. However, the difficulty is that the House has been adamant on sugar legislation for many a long year, and it has become almost customary for the Senate to yield to the House on the ground that if we did not yield, there would be no bill, and what has been described in the argument today as chaos would be perpetuated.

I regret that the conventional argument has again taken hold. It seems to me that the conference report perpetuates the logrolling deals under which 23 countries, 12 of them for the first time, are given a share of the American market at the premium price; and this allocation is made, although this is clearly a matter of our foreign affairs, not by the House Committee on Foreign Affairs, not by the Senate Committee on Foreign Relations, but by the House Committee on Agriculture.

I hope very much that when another sugar bill comes before the Senate, as in due course it will, the part which deals with foreign quotas wil be referred by the parliamentarians of both bodies to the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations; and that if it is not so referred, we in the respective bodies will see to it that those two committees pass upon the bill in the interest of our foreign policy before it is brought to the floor of either body for a vote.

I point out that such a procedure is frequently followed in connection with other proposed legislation. I recall that in our efforts to have the Delaware River compact passed in the Senate last year, it was necessary to have the measure run the gauntlet, first, of the Committee on the Judiciary, then the Committee on Public Works, and finally the Committee on Interior and Insular Affairs. We succeeded in jumping all those hurdles, and the bill was passed.

I think we could ask that a bill dealing with sugar quotas, but which vitally affects the foreign policy of the United States, should be required to jump at least two hurdles, instead of only one. I raise the question whether the Committee on Finance has any legitimate interest in the bill; whether it is not a question for the Committee on Agriculture and Forestry and the Committee on Foreign Relations. Why should we not take a close and careful look at our rules and the jurisdiction of the various committees, in order to determine whether the Committee on Finance has not, over the years, acquired a jurisdiction which was never intended at the time the rules were originally adopted?

The bill has fixed quotas as a result of no consultation with the Secretary of State or either of the congressional committees charged with the consideration of matters of foreign policy. When we are dealing with a matter as sensitive in the conduct of foreign policy as the allocation of sugar quotas, the President of the United States should have the same broad powers over sugar as I hope we are about to give him over other segments of world trade.

This serious threat to the intelligent conduct of our foreign policy is compounded by the unjustified increase in the share of the domestic market reserved for high cost beet and cane sugar producers in the South and the West.

The people of Pennsylvania have no interest in increasing the price of sugar. The interest of the more than 11 million people of our Commonwealth is in

lower, not higher, prices for sugar. There are occasions when a Senator must think of the national interest, even if his vote may not be popular at home. But this, I submit, is not such an occasion. This bill, I argue, is not in the national interest. It is definitely opposed to the interest of all Pennsylvanians, because we want lower—not higher—sugar prices.

Accordingly, Mr. President, I shall vote against the conference report, in the hope that after further consideration a bill more in the public interest can be passed.

It is said that we must have this bill immediately, lest the country be flooded with cheap sugar, since the present act which maintains the support prices has expired. But, Mr. President, in my judgment this would be something far short of a catastrophe. The long-range damage which this measure would do to our foreign policy far outweighs any short-range harm to the artificial domestic support price of sugar which would result from postponing enactment of this legislation until we can get a decent bill.

I regret that the administration has not told us why it has abandoned its original opposition to the conference report—an opposition which was widely circulated as late as this morning. I hope that on further consideration the President will decide to veto this measure.

Mr. LAUSCHE. Mr. President, I shall vote against the conference report. However, I wish to say that I highly commend the conferees for obtaining the best possible bill from the conference, under all the circumstances which prevailed.

For a number of years at about this time of the year I have been subjected to the proposition that time is running out, and that unless we act at once, irreparable damage will be caused the country. Each year for the last several years, at about June 27 or June 26, there hurriedly comes before this body a sugar bill which requires passage by midnight of June 30.

I wish to be free in the exercise of my judgment, without having presented to me the argument that unless I act at once, irreparable damage will come to the Nation. I cannot understand how it is that this annual, identical coincidence occurs—that the sugar bill comes to us at a late hour, making it impossible for the Senate to exercise its voluntary, independent judgment.

Furthermore, Mr. President, the very structure of this allocation of quotas to different nations of the world creates a flood of lobbyists who not only are promised fixed fees, but also are promised contingent fees, dependent upon their success in procuring for their principals assignments of sugar sales. I do not wish to be in the position of subscribing to what I saw in a pamphlet, which was placed on my desk, about the inordinate fees—contingent and otherwise—being earned by those who have come before the committees to present the cause of the nations who are so frantically fighting for the assignment of quotas.

At one time I taught, in law school, the subject of agency; and I recall that there is a principle of law that whenever an agent is hired, on the basis of a contingent fee, to procure the performance of an act by an executive public official or by a legislative body, that arrangement is contrary to public policy, and is invalid.

In connection with the measure before us, we cannot reach into the private agreements on a contingent basis which have been made by various countries with special agents to procure the passage of the pending measure. But I will not by my vote indirectly and impliedly give approval to this nefarious practice. I will vote against this measure, if on no other basis than the fact that these countries should be told that we do not subscribe to such procedure.

To the nations which rely upon their ambassadors, I express commendation; and if I could have my way, I would give them special benefits because of that very fact.

Next, Mr. President, from the standpoint of foreign relations, our country should be able—without the involvements and entanglements which will come from the creation of these new assignments of quotas, and I understand that there are to be 12 of them—to deal freely with Cuba, if and when Castro no longer is there. But through this program of assigning quotas now, regardless of the efforts to mollify the assignments, the problem of dealing with Cuba in the event Castro no longer is there will become more complicated.

In conclusion, I commend the conferees for what was done; I think they did a superlative job. But I still believe that the allocations to individual nations are not helpful to the United States. They throw a cloud upon what is happening in the other body and what is happening in the Senate. I do not want lobbyists to laugh while I am voting to give approval to what has been done. From my standpoint, I notify them that the moment they appear on the basis of contingent fees, that very act will stamp their conduct and the conduct of their principals as improper, so far as I am concerned.

Mr. ANDERSON. Mr. President, I promise to take not more than 1 minute; but I wish to say to the Senator from Louisiana [Mr. LONG], who was one of the conferees, that I hope he recognizes—as I do—that on page 4 of the report there is a provision that special consideration shall be given to the nations of the Western Hemisphere. The following language appears:

> In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing U.S. agricultural commodities.

Does not the Senator from Louisiana believe that language was written in carefully, prayerfully, and purposely; and does he not agree that we do intend that special consideration shall be given to these countries?

Mr. LONG of Louisiana. Yes, that is definitely intended; and it is hoped by those who wrote this report, as well as by those who agreed to it in the conference, that this measure will be administered in such away that those countries in the Western Hemisphere would be preferred—if that can be done—in connection with the purchases of sugar, because they have been our historic sources of offshore sugar; and also we want consideration given in this connection, insofar as possible, to countries which have been purchasing U.S. agricultural commodities.

Mr. ANDERSON. Yes. On that point, the House conferees may say that the House is very anxious to protect countries which have purchased U.S. agricultural commodities, and that therefore we should have an opportunity to do this for those countries, if that is at all possible.

I have discussed this matter with the Senator from Oklahoma [Mr. KERR], and I think he also agrees that this consideration should be given.

For myself, I wish to say that I hope it will be given, because these countries have been our historic sources of our offshore sugar, and they have also been purchasing U.S. agricultural commodities. So I believe they certainly should be given this special consideration.

Mr. LONG of Louisiana. And I hope the State Department will take steps to see to it that such special consideration is given.

The PRESIDING OFFICER. The question is on agreeing to the report.

On this question, the yeas and nays have been ordered.

Mr. DIRKSEN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. DIRKSEN. Mr. President, I ask unanimous consent that further proceedings under the quorum call be suspended.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the conference report. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Alaska [Mr. BARTLETT], the Senator from North Dakota [Mr. BURDICK], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Tennessee [Mr. GORE], the Senator from Michigan [Mr. HART], the Senator from Indiana [Mr. HARTKE], the Senator from North Carolina [Mr. JORDAN], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Washington [Mr. MAGNUSON], the Senator from Wyoming [Mr. MCGEE], the Senator from Rhode Island [Mr. PASTORE], the Senator from Rhode Island [Mr. PELL], the Senator from Georgia [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], the Senator from Massachusetts [Mr. SMITH], and the Senator from Alabama [Mr. SPARKMAN] are absent on official business.

On this vote, the Senator from Alabama [Mr. SPARKMAN] is paired with the Senator from Massachusetts [Mr. SMITH]. If present and voting, the Senator from Alabama would vote "yea," and the Senator from Massachusetts would vote "nay."

I further announce that the Senator from Colorado [Mr. CARROLL], the Senator from Idaho [Mr. CHURCH], the Senator from Alaska [Mr. GRUENING] are necessarily absent.

I further announce that, if present and voting, the Senator from Alaska [Mr. BARTLETT], the Senator from North Dakota [Mr. BURDICK], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Tennessee [Mr. GORE], the Senator from Michigan [Mr. HART], the Senator from Indiana [Mr. HARTKE], the Senator from North Carolina [Mr. JORDAN], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Washington [Mr. MAGNUSON], the Senator from Wyoming [Mr. MCGEE], the Senator from Rhode Island [Mr. PASTORE], the Senator from Rhode Island [Mr. PELL], the Senator from Georgia [Mr. RUSSELL], the Senator from Florida [Mr. SMATHERS], the Senator from Colorado [Mr. CARROLL], the Senator from Idaho [Mr. CHURCH], and the Senator from Alaska [Mr. GRUENING] would each vote "yea."

Mr. KUCHEL. I announce that the Senators from Maryland [Mr. BEALL and Mr. BUTLER], the Senator from Indiana [Mr. CAPEHART], the Senators from Kansas [Mr. CARLSON and Mr. PEARSON], the Senator from Arizona [Mr. GOLDWATER], the Senator from Kentucky [Mr. MORTON], the Senator from New Hampshire [Mr. MURPHY], the Senator from Vermont [Mr. PROUTY], and the Senator from Massachusetts [Mr. SALTONSTALL] are necessarily absent.

The Senator from Delaware [Mr. BOGGS] and the Senator from Texas [Mr. TOWER] are also necessarily absent.

If present and voting, the Senator from Maryland [Mr. BEALL], the Senator from Kansas [Mr. CARLSON], the Senator from New Hampshire [Mr. MURPHY], the Senator from Vermont [Mr. PROUTY], and the Senator from Massachusetts [Mr. SALTONSTALL] would each vote "yea."

On this vote, the Senator from Delaware [Mr. BOGGS] is paired with the Senator from Kansas [Mr. PEARSON]. If present and voting, the Senator from Delaware would vote "nay," and the Senator from Kansas would vote "yea."

The result was announced—yeas 54, nays 12, as follows:

[No. 110 Leg.]

YEAS—54

Aiken	Dworshak	Kerr
Allott	Ellender	Kuchel
Anderson	Engle	Long, Mo.
Bennett	Fong	Long, Hawaii
Bible	Hayden	Long, La.
Bush	Hickey	Mansfield
Byrd, Va.	Hill	McCarthy
Byrd, W. Va.	Holland	McNamara
Cannon	Hruska	Metcalf
Cooper	Humphrey	Monroney
Cotton	Jackson	Morse
Curtis	Javits	Moss
Dirksen	Johnston	Mundt
Dodd	Keating	Muskie
Randolph	Stennis	Wiley
Robertson	Symington	Williams, N.J.
Scott	Talmadge	Yarborough
Smith, Maine	Thurmond	Young, N. Dak.

NAYS—12

Case	Hickenlooper	Neuberger
Clark	Lausche	Proxmire
Douglas	McClellan	Williams, Del.
Fulbright	Miller	Young, Ohio

NOT VOTING—33

Bartlett	Ervin	Murphy
Beall	Goldwater	Pastore
Boggs	Gore	Pearson
Burdick	Gruening	Pell
Butler	Hart	Prouty
Capehart	Hartke	Russell
Carlson	Jordan	Saltonstall
Carroll	Kefauver	Smathers
Chavez	Magnuson	Smith, Mass.
Church	McGee	Sparkman
Eastland	Morton	Tower

So the conference report was agreed to.

Mr. HOLLAND. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. HUMPHREY. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

IMPORTATION OF ADULT HONEY BEES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1530, H.R. 8050, to amend the act relating to the importation of adult honey bees.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 8050) to amend the act relating to the importation of adult honey bees.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to add the following new section:

SEC. 2. (a) Section 202(c)(4) of the Sugar Act of 1948, as amended, is amended by inserting "(A)" after "(4)", and by adding at the end thereof the following new subparagraph:

"(B) Of the quantity authorized for purchase and importation under subparagraph (A), the President is authorized to allocate to countries within the Western Hemisphere, for the six-month period ending December 31, 1962, an amount of sugar, raw value, not exceeding in the aggregate 75,000 short tons, and for the calendar years 1963 and 1964, an amount of sugar, raw value, not exceeding in the aggregate 150,000 short tons."

(b) Section 202(e) of such Act, as amended, is amended by adding at the end thereof the following new sentence: "The provisions of this subsection shall not apply to sugar exported by any foreign country to the United States to fill any allocation made to it under subsection (c)(3)(C)."

(c) Section 207(e)(2) of such Act is amended by adding at the end thereof the following new sentence: "The provisions of this paragraph shall not apply to any allocation made to a foreign country under section 202(c)(3)(C)."

(d) Section 213 of such Act, as amended, is amended—

(1) by striking out "(4)" each place it appears in subsections (a) and (b) thereof and inserting in lieu thereof "(4)(A)";

(2) by striking out "paragraph (3) of section 202(c)" in the first sentence of subsection (c) thereof and inserting in lieu thereof "paragraphs (3) and (4)(B) of section 202(c)"; and

(3) by striking out "(4)" each place it appears in the first sentence of subsection (c) thereof and inserting in lieu thereof "(4)(A)".

(e) The amendments made by this section shall be effective as if they were enacted as a part of H.R. 12154 entitled "An Act to amend and extend the provisions of the Sugar Act of 1948, as amended", Eighty-seventh Congress, second session.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana has the floor.

Mr. MANSFIELD. Mr. President, notwithstanding the title of the bill, I should like to make an explanation of the proposed amendment. First, I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. Mr. President, I am not sure that I correctly understand the amendment. If I correctly understand it, it would restore to the basic quotas 150,000 tons of sugar for foreign producers and deduct that amount from the so-called global quotas. Is that correct?

Mr. MANSFIELD. That is correct; from the global quotas.

Mr. WILLIAMS of Delaware. From the global quotas. If I correctly understand the mathematics, assuming the Senate adopts the amendment and the bill is enacted, we shall have established permanent basic quotas of 7,000 tons more than Mr. COOLEY proposed or than was provided for in the bill as passed by the House.

Mr. MANSFIELD. I am not at all certain about the figure. If the proposal were adopted, it would operate on the same basis as is operative with respect to other countries which have been given quotas under the conference report which the Senate just considered.

Mr. WILLIAMS of Delaware. As I understand the situation, the conferees took 143,000 tons out of the permanent, basic quotas assigned under the Cooley bill and added that amount to the global quotas. This proposal would take 150,000 tons from the global quotas and put it back in the basic quotas column. The net result would be, after all this debate, premium payments on another 7,000 tons.

Mr. MANSFIELD. I always accept the Senator's word.

Mr. WILLIAMS of Delaware. Under the circumstances I wonder if administration officials who denounced the Cooley bill do not now owe the gentleman on the other side of the Capitol an apology. I cannot support this proposal.

for at this time the local public agency has the land itself as security for performance of contract obligations by the redeveloper. Nor should we expect a developer to wait patiently while the public agency takes its time in performing the necessary functions in making the land available.

I am thinking particularly of the installment of site improvements that are essential to the project. I have found that some public agencies have a very cavalier attitude toward such items as paving of streets and installation of sewers—items that obviously are essential to the functioning of the project. A redeveloper must naturally wait for these to be installed before he can begin his construction, or in some instances, before he can start renting his apartments or stores. Waiting is costly for the developer. It is costly and means that he is not able to use his capital profitably during this period. Time is something that public agencies seem more willing to waste than does private enterprise.

Another difference in viewpoint is design itself. As I said earlier, I feel that we have an urban renewal obligation to experiment in many ways with new housing types, new site plans, and various financing techniques. We must rely upon the private redeveloper to undertake these experiments. But the builder is reluctant, naturally, to risk his money in experimenting with a relatively untried new type of housing, or a new arrangement of housing on the site. He knows also that doing something different means running into more difficulty all along the line. Consequently, he must be persuaded—and he will not be persuaded if the objectives in new design set by the redevelopment agency becomes more difficult to achieve because of obstacles created by other bureaucracies.

Thus, the private developer must have the sympathetic cooperation of all local public officials. For instance, new ideas in design generally mean something different from the standard controls found in zoning ordinances. Whoever administers the zoning oridnance must have some sympathy for the new approach. If the developer is to stick his neck out, so should the city, in accepting new and different concepts from those that have governed city development for the past 30 years.

So here, in recognizing the difference in viewpoint and working to achieve its public objectives, the public agency must take positive action to assure the developer—who may be a reluctant participant—that what is being proposed and supported by the local public agency will also receive all other neccessary governmental approvals.

And certainly there is a difference in viewpoint on social objectives. The public agency will often feel strongly that urban renewal should achieve certain basic social objectives. On the other hand, the developer may be somewhat reluctant to jeopardize his investment in trying to meet social objectives that have not proved easy to achieve. Integration is obviously a social objective that may create concern for the redeveloper, and yet its achievement is essential. There is an obligation on the public agency to acquire all the information possible and to work with the developer and local groups to make sure that the public objectives are understood, and that the resources of the entire community are mustered in support of these social objectives. Certainly, we cannot rely exclusively upon the redeveloper to be our social experimenter.

Another difference in viewpoint that should not be too difficult to reconcile but one which has damaged redevelopment in the past is the question of when community facilities such as schools will be built to serve a redevelopment area. The developer naturally wants to have the school available and operating when he starts to rent or sell. The school board or the city, on the other hand, frequently takes the position that it is a waste of public money to build a school until large numbers of children are clamoring to attend it. Here we have the anomaly of either (1) a housing development with no school or (2) a school with no housing development—to take the most extreme positions.

Here I believe that in the long run the viewpoint of the developer is in the greater public interest than the viewpoint expressed by some public agencies.

In renewing our wornout slum areas, it is essential to establish a new character. Families with children must be persuaded to move to the project area. There must be strong attractions. The attraction of reasonable rents and sales prices, locations and designs are basic—but, insufficient. Mother wants to make sure that her children will have a conveniently located and well-equipped school to attend.

I think the southwest Washington redevelopment project with its Amidon School provides an excellent example of the wisdom of developing a new school and a good school early in the redevelopment process. The apartments and houses being rented and sold in the southwest area are now advertised as being within the district of this new school. This has become a selling point by the developer and has been an important factor in making southwest Washington such a success.

One other item that I would like to refer to is timing. The public agency is naturally anxious to get construction underway, but at times it appears as though, even with the money it may be costing him, the redeveloper is not acting with the greatest possible speed. Here I feel that the apparent difference in viewpoint is more apparent than real—for it should be to the basic interest of both to get construction underway promptly. The redeveloper will ordinarily be anxious to initiate construction. However it may in some instances be a shortrun benefit to the developer to drag his feet because he may be busy elsewhere, or he may not have the front money available immediately and so wishes a postponement.

Here I feel that the developer cannot be accommodated. Here it is essential that the agreement between public agency and the redeveloper be very specific and that the penalties for nonperformance or inadequate performance be clearly stated and actually invoked by a public agency. We cannot permit developers to delay activities at the expense of the community's interest in prompt development.

One other difference in viewpoint concerns the kind of investor. I am referring to the public interest in having a long-term investor as a redeveloper. This is in contrast to the way in which private enterprise normally builds office buildings and housing developments. Our experience has been with the entrepreneur developer who has a small amount of equity and an interest in using that equity to create a capital asset—constructing an office building or apartment house and selling it for a capital gain when it is providing sufficient income. This is the standard entrepreneural operation and has created most of our postwar building.

However, it is to the interest of the city and public agency to have an investor who looks upon this investment as a long-term investment. When an investor knows he is going to stay with it for quite awhile, he will be interested in building better, in building in maintenance-free items, and in designing more lasting and attractive structures. In short, his interest as a long-term investor will be more in accord with the interest of the public agency.

I think we are going through something of a revolution in investment in redevelopment and that this is due in part to the realities of a situation. Redevelopment projects by their very nature generally take longer to rent up; it takes some time to build up the character of an area. I think that some of our early investors who started out as basic "get-in get-out" investors have had to become of necessity long-term investors. They haven't been able to get out because they haven't been able to sell their property for what they would like to make out of it. I think we are now attracting the longer term investor. As I meet with and talk to new developers coming into urban renewal, I find that their interest seems to be more in the long term rather than in the short term.

These, it seems to me, are the basic differences in viewpoint between the redeveloper and the public agency. They are differences that shouldn't be disturbing, since they are only natural in the way our public-private system works. On the whole we have been fortunate in attracting the kind of developers we have. Basically their wishes and objectives appear to be in accord with those of public agencies. Naturally, in the achievement of these objectives their viewpoints differ at times from that of the public agency. On the whole, however, I think that these differences have been resolved without compromising the objectives of the public agency or the objectives of the renewal program.

However, even though the experience has been relatively good and we seem to have developed this new kind of public administration approach on the relationship between public and private and the way in which the public selects a developer, I feel it is essential to continue to recognize that there are differences in viewpoints and that we must be specific in providing systems for resolving those differences.

We must always keep in mind what Housing Administrator Robert C. Weaver recently said: "We are concerned not simply with building and investment. It is what we build, where we build, and for whom we build that is important. It is what we do about the communities we have already built that will shape the opportunities, the living standards, and the business growth of the American town and city."

No developer should come into the program unless he really recognizes that the public objectives must be achieved. And at the same time no public agency should go into this program without recognizing that certain elements are essential if private enterprise is to be able to function in its role in enabling the public agency to achieve its public objectives.

President Kennedy has pointed out that "The unfinished business of our society still lies stretching before us." He was referring to, among other things, the great task of rebuilding our cities. In this unfinished task we need the energy, ingenuity, and cooperation of private enterprise as well as public agencies. And it is urban renewal that has opened up ways of cooperation, to make our cities the centers of vigor, industry, and culture.

NEED FOR NEW LOOK AT BUY AMERICAN ACT

Mr. CANNON. Mr. President, on March 3, 1962, the Buy American Act passed its 29th birthday. During that long span of years the act has been amended only twice—in 1946 and in 1949. Both amendments served to clarify the original purpose of the act so that con-

gressional intent has remained unchanged.

However, with the passage of Executive Order No. 10582, December 17, 1954, the whole implementation of the act has been altered. This order attempted to set uniform standards for administration of the act. Its most important features are: First, the procuring agency may give the domestic bidder a preference differential of 6 percent of the foreign bid, or 10 percent if exclusive of applicable duties and all costs after arrival in the United States; second, materials are considered foreign if the cost of the foreign component is 50 percent or more of the total cost of all components of the material. The procuring agency (a) may reject any bid for reasons of national interest, and (b) may reject a foreign bid in any situation in which the domestic supplier offering the lowest price for furnishing the desired materials undertakes to produce substantially all of such material in areas of substantial unemployment. The preferential treatment for areas of substantial unemployment was doubled to 12 percent by the Department of the Interior in 1955 and generally has been followed since that date.

Let me submit, Mr. President, that the price differential under the Buy American Act is too small under present world economic conditions. Today our industries must comply with a host of Federal acts which materially increase costs of production in comparison with such costs for foreign industries. Other nations frequently do not have such stringent laws as we do. American wages are four to nine times more than those of our competitors. This more than compensates for our lower materials expenditures.

Recently, the Navy announced the purchase of nearly $500,000 worth of German steel to be used in fabrication of our Polaris submarines. This action had been approved by the head of Navy Material, Vice Adm. George Beardsley and Adm. Ralph K. Jones, of the Bureau of Ships. I would not censor these officers because they rigidly and properly applied the Buy American Act to this purchase which had been bid at approximately 30 percent less than competing bids from U.S. firms.

The reasons for the low bid may be a matter of dispute. But, I do not believe there is any dispute on the need to face economic realities and to do so rapidly. I think it incumbent upon the administration to raise the preference differential to more realistic levels which would assist our own economy.

Originally, the Buy American Act established a price differential of 25 percent which was adequate to permit American firms to compete with foreign businesses for Government contracts. When Executive Order No. 10582—1954—changed the differential as I have described, in many areas, the probability of American bids competing successfully with foreign bids became virtually impossible. Perhaps with world economic conditions of 1954 such action was necessary, as a temporary measure to help foreign nations rebuild their economies, but today's situation is entirely different. Our balance of payments is such that every effort must be made to alleviate it.

Today we have more unemployment than most nations. Our annual growth rate is below that of any other major industrialized nation—ranging from 8.5 to 3.1 per cent—except the United Kingdom—2.6 percent. We have become a low-investment country; in relation to the 11 major industrial nations, we stand third from the bottom. Although not the primary consideration, import competition is a significant factor in our failure to keep pace economically with other nations. One segment of this competition is for goods purchased by the Government.

When our Government purchases from foreign concerns with a 6-percent differential, it may seem that money has been saved. But, as studies have shown, such is not always the case. Although the computations are too complex to cite, estimates indicate that the Federal and States taxes alone on a $100,000 order would be $15,449 or more than twice the so-called saving to the Government. If one were to trace through the second spending cycle, the total taxes generated amount to $36,014 or a 36 percent return on the original outlay. Of course, I realize that some of this disparity would be compensated for by import duties, but that, in my opinion, would be a very minor consideration.

In some industries, Government purchases constitute 50 percent or more of total sales. Many are relatively small; the hydraulic turbine industry, for example, has annual average domestic bookings over the last 10 years of about $27 million. Over the same period the Government has purchased about 60 percent of their orders. Foreign competition became significant in 1954 with the promulgation of Executive Order No. 10582 lowering the differential from 25 percent to 6 percent. By 1959, 52.78 percent of the dollar value of hydraulic turbines was awarded to foreign manufacturers. This has meant hardship to a small but essential industry and to its employees. Similar results could be shown for other industries.

It seems to me no more than fair that American industry be granted a preference double that at present in effect under the Buy American Act; that is, 12 percent in general and 24 percent for areas of substantial unemployment. This, among other measures, should help to solve our unemployment problem, particularly in areas of labor surplus. As I have indicated, money put to work within the United States produces tax revenues for the Federal and State Governments. An average domestic manufacturing concern will pay $6,250 Federal income tax on a $100,000 order or about the same as the supposed Government saving. As shown previously, the average $100,000 domestic sale eventually in all its cycles yields $36,000 in taxes. Spent abroad, it contributes little to our economy.

In our serious unemployment and balance of payments all possible measures must be taken that will help alleviate the situation. Doubling the preferential on Government purchases of foreign goods is one measure that will help solve the unemployment problem and will aid in alleviating our balance-of-payment deficit. I therefore urge the President to use the authority vested in his office to raise the differential between foreign and domestic bids on Government contract purchases from 6 to 12 percent and even higher for areas of substantial unemployment.

ONE HUNDREDTH ANNIVERSARY OF THE MORRILL LAND-GRANT ACT

Mr. CLARK. Mr. President, the Congress has properly given serious attention to education needs in America and has some significant measures under consideration such as the one to aid construction of facilities in institutions of higher learning. There have been those, however, who have thrown up their hands in horror at the idea that the Federal Government would in any way participate in educating the youth of America. These opponents have predicted some dark and dire days ahead simply because the Government is trying to help education do something it cannot do by itself.

In spite of what these people seem to believe, education in America today would be quite different if the Congress had not always recognized its responsibility and acted accordingly. We can go back 100 years, to July 2, 1862, when President Lincoln signed the Morrill Land-Grant Act. This act granted public lands to the States and the income from sale of these lands was used to endow and support at least one college in each State. Were it not for this far-reaching action of Congress 100 years ago, America today would have 68 less colleges and universities for that is the number of these so-called land-grant institutions. Among the missing would be Pennsylvania State University, Massachusetts Institute of Technology, University of Illinois, New Mexico State University, Texas Agricultural and Mechanical College System, University of Wyoming, and many, many others.

Mr. President, the Nation owes a debt to our predecessors of 100 years ago who had the vision, the foresight, and the fortitude to initiate a revolution in higher education in America and we would be remiss if today we did not take note of their effort and acknowledge what was accomplished.

THE SUGAR ACT

Mr. MORSE. Mr. President, I wish to say that the vote I cast in support of the conference report was one that was very difficult to cast so far as I was concerned, because I believe the whole situation is a very dubious one, for the reasons that were set out in the debate on the floor of the Senate today.

However, I came to the final conclusion that I thought the conference report was undoubtedly the best report we could get at this session of Congress. The

record that was made was a record that is perfectly clear to Congress that we cannot justify waiting until the 11th hour again for action on the sugar quota program.

In the next session of Congress it is the clear duty of the leadership of both Houses to see to it that we get the sugar quota matter up at a much earlier date. I am far from convinced that the 12 Senators who voted against the conference report did not have a great deal to support their position and possibly cast the sounder vote.

However, it is the old story of resolving the doubts in favor of the conference. We must also be realistic about the parliamentary situation that confronts us in the Senate. Furthermore, I decided to vote to support the conference report, because I was well aware as were most of my colleagues in the Senate, that the amendment now offered by the majority leader was to be offered as soon as the conference report was adopted. It is a very appropriate sweetener to the honey bill. It is necessary to do justice both to Argentina and to the Dominican Republic, as well as justice to the President of the United States.

First, let me say a word about doing justice to the Dominican Republic and to the Republic of Argentina. If we had adopted merely the conference report, the allocations provided in the conference report would have given ample justification to the Dominican Republic and to Argentina for deep resentment against the United States. They could charge, and I think rightfully, that we followed a discriminatory policy against them, which under the circumstances could not be justified.

Further, I take the Senate back a few months, when we were using our good offices and our diplomatic channels to seek to bring the Dominican Republic into the orbit of free nations in the Western Hemisphere. I know something about those negotiations. They were not easy. The moderates in the Dominican Republic who were finally successful in bringing the Dominican Republic into the orbit of the free nations in this hemisphere had a nip-and-tuck situation for many weeks. It could have gone either way. It could very well have fallen back into the Trujillo tyranny, or it could have fallen into the orbit of the Communists.

We owe much to the patriots of the Dominican Republic for the patriotic services they rendered to freedom in their own country and the great service they rendered to freedom in the Western Hemisphere.

Some criticism has been made on the floor of the Senate today in regard to some statements that have been made by some of the leaders of the Dominican Republic. I think some of those statements were regrettable, but they are understandable. I do not rise to object to them or to condone them. I rise to plead for understanding with regard to what produced those statements.

Mr. President, I thank the distinguished majority leader, the distinguished Senator from Wisconsin, and the distinguished Senator from Minnesota, the majority whip, for their coöperation in arranging to have unanimous consent for votes on Thursday. It so happens that several Senators necessarily must be absent from the Senate tomorrow. We have a long way to go in order to be home for appropriate Fourth of July meetings. It would be impossible for us to be here tomorrow. That has been well known for quite some time. There are times in the Senate when it is necessary to cancel trips in order to protect what we consider to be parliamentary rights. We have a duty to be present. We are in just such a situation now in the Senate. So I express my appreciation to the majority leader, to the Senator from Wisconsin [Mr. PROXMIRE], and to the Senator from Minnesota [Mr. HUMPHREY], for their cooperation with the senior Senator from Oregon, who is speaking not for himself alone, but also for some other western Senators who find themselves in exactly the same situation.

I also thank the minority leader [Mr. DIRKSEN] for his cooperation in reaching this agreement. He does not know that I know, but I also wish to thank the distinguished Senator from Florida [Mr. HOLLAND] for the good service he rendered in arranging the agreement just reached.

Mr. President, at the time it was nip and tuck as to whether the Dominican Republic would fall back into the orbit of the Trujillo tyranny or into the orbit of Castro communism, or whether it would be saved for the cause of freedom in the Western Hemisphere.

I know something about the diplomatic negotiations of that time and period, for I, along with other members of my Subcommittee on Latin American Affairs, and also with the chairman of the full Foreign Relations Committee, the Senator from Arkansas [Mr. FULBRIGHT], was in frequent consultations with the administration in regard to the developments in the Dominican Republic.

I cannot pay too high a tribute to the great service rendered at the time by the patriots for freedom in the Dominican Republic. They were constantly in danger of losing their lives; but they were dedicated public servants; and in my judgment they saved the Dominican Republic for freedom.

Therefore, it is understandable—even though today there were some criticisms on the floor of the Senate—that some of the leaders of the Dominican Republic made some unkind expressions in regard to the United States, in connection with the sugar bill, for, after all, the economy of the Dominican Republic is in no small degree a sugar economy; and what happens to the Dominican Republic as regards the price paid for Dominican sugar and the income they get from sugar can very well determine, in the months ahead, whether the Dominican Republic is to remain a free nation. When we are dealing with this subject matter, Mr. President, we are dealing with a very delicate and vital matter, as it affects the future of the Dominican Republic. The cost of whatever additional allotment the Dominican Republic may receive, through the wise discretion of the President of the United States, through the Mansfield amendment to the honey-bee bill as the vehicle for doing greater justice to the Dominican Republic, will be a small price to pay for the strengthening of freedom in the Dominican Republic.

Much the same can be said about the Argentine. I certainly need not refresh the recollection of Senators in regard to the turbulence which has occurred in recent months in the Argentine. It is my hope that we shall strengthen the cause of freedom there, too, and that at least we shall make clear at all times to the Argentine that we are willing to do what we can do strengthen the cause of freedom there. But, Mr. President, not one among us can be certain about what the situation in the Argentine will be 12 months from now. Furthermore, there are other places in Latin America where that is also true.

That is one reason why I said, earlier today, during the debate, that I would be much more inclined to favor the conference report if it had been more limited to the countries of the Western Hemisphere, but that I was at a complete loss to understand why the Union of South Africa was brought into the sugar quotas and why Australia—of all nations—should get this premium price handout from the U.S. Government, and why the talk about Ireland crept into the debate, in connection with the proposed aid to Ireland.

Mr. President, let us remember the major reason for the development of the premium price sugar program. The purpose was to assure an adequate supply of sugar close to home—not in the Union of South Africa, not in Formosa, not in Australia, not in Ireland, not in any of those remote areas. I state quite frankly that I think the application of the premium price program for sugar to those remote areas is a misuse and an abuse of the purpose and the underlying principles which in the first instance caused us to adopt the premium price sugar quota program.

The basic reason for it was to supply the American people with an adequate amount of sugar in time of war, when we were losing ships by the score. In fact, we lost more ships in our convoys than the American people yet know about. The loss of our convoy ships, particularly in the early part of the war, was extensive.

There are other reasons for the development of the premium-price program for sugar—reasons typical of our humanitarianism and our charitable impulses, although the program has not worked out in the way originally planned, because of the failure of the countries concerned, on the part of the sugar interests in those countries. We believed that this premium-price sugar quota program might benefit the field producers and the mill producers of sugar—in other words, the workers, the peons, the peasants—and, yes, I am sorry to say, Mr. President, in describing those peasants in many parts of the world I think

it proper to use the term "serfs," figuratively chained to the soil. We thought our premium-price sugar quota program not only would provide an available source of sugar for our American diet—and sugar is particularly essential to the American diet—but also would make it possible for us to render deserved economic aid and assistance for the benefit of the workers.

Little did we comprehend, as the Senator from Illinois [Mr. DOUGLAS] so eloquently pointed out this afternoon, that these countries, through their sugar barons, would continue to exploit the workers, irrespective of the premium price that we paid for the sugar. It is a very sad record redounding to the everlasting discredit of the oligarchs of Latin America who are guilty of exploitation of fellow human beings, and of being, as I said earlier this afternoon, so inconsiderate and inhumane in exploiting the people and then depositing their profits in Swiss and New York banks. But that is going to have to be worked out on the diplomatic level.

That statement leads me to the second reason for supporting the Mansfield amendment, before I leave tonight to be in my home State, which therefore will not give me an opportunity tomorrow to present my case in support of the Mansfield amendment.

I support it because I think it is very important that the President of the United States be given the discretionary power made available to him under the amendment. In fact, I would give the President more discretion than the Mansfield amendment would give him, if I were writing the legislative ticket, so to speak. But I have talked to the majority leader about this amendment. I do not speak for him, but for myself, when I say that I found his discussion very helpful to me in reaching my conclusion that this is probably the maximum amount of discretion that we will be able to give to the President and get the congressional support we need for granting it.

Let me say to the President that, if we are going to have any hope of making the Alliance for Progress program work, without in any way sacrificing our obligations to maintain a system of checks upon our State Department and its diplomats, and upon the President himself, I want to urge that, within our system of checks, we lean in the direction of giving to the President of the United States a maximum amount of discretion in connection with just such problems as this one. More than we may recognize at first glance, Mr. President, the Mansfield amendment has a great deal to do with making the Alliance for Progress program work, for it is going to be generally recognized in the Western Hemisphere that the sugar bill in its present form, as it exists now that we have approved the conference report, is far from a desirable bill. All that can be said for it, in my judgment, is that it is more desirable than what we would have had it we did not have it.

The Mansfield amendment seeks to give to the President at least a little leeway, at least some area for discretionary action on his part. As one who has worked very closely with the President on the Alliance for Progress program, as Senators may have heard me say before, all the major proposals in the Alliance for Progress program can be found in the recommendations which the Latin American Subcommittee made to the full Foreign Relations Committee at the time the now President of the United States was a member of that committee.

We all worked very closely together with the then Senator from Massachusetts in developing the recommendations of the Latin American Subcommittee, based upon the research studies and reports made for us by a group of scholars and experts on Latin America. From their reports really came the major recommendations for the Alliance for Progress program.

I have complete confidence in the President of the United States in respect of the Alliance for Progress program, as I do with respect to his administration generally; but I cannot emphasize too strongly tonight how important it is that the representatives of the United States, in respect of putting the Alliance for Progress program in operation, must have a great deal of latitude for negotiation.

What I say now is no reflection on our Latin American friends, and no criticism of them, but only a recognition of great differences between Latin American cultures and the culture in the United States; great differences between Latin American political norms and political norms in the United States; great differences between Latin American conceptions of negotiability in the operation of government and those of negotiability in the administration of government in the United States.

These great differences very often are prone to lead to misunderstandings on the part of Latin American representatives around the diplomatic table or at international conferences, or to the development of a noncooperative attitude, or, for want of better language, to hurt feelings, because they are accustomed to the national spokesmen, even under their democratic processes, negotiating for their government, and his negotiations becoming the word and the bond of his nation.

Under our system of checks and balances, we do not grant as sweeping a power to the negotiator for our country as they do in Latin America. For example, Mr. President, when the Secretary of State of the United States goes to a conference, such as Bogotá Conference of 1960, or the Punta del Este conference of this year, he is not in a position to sit down and make final commitments, for he has a Congress behind him as a check. His negotiations are subject, after all, to the final approval of Congress. He can negotiate on behalf of the President of the United States, because he is the President's spokesman at that conference.

So I have found, in several international conferences that I have attended in Latin America in my capacity as chairman of the Latin American Subcommittee, that there is a great deal of misunderstanding—even downright misunderstanding—on the part of Latin Americans concerning the position taken by U.S. representatives.

There is a tendency for them to feel that we are "cagey," when we are not "cagey" at all when we tell them, "This is as far as we can go, because this is the limit of our authority, but we are satisfied we shall get approval."

How pertinent that remark is to what happened at Bogotá in 1960. At the Bogotá conference the representatives of other nations wanted the Senator from Iowa [Mr. HICKENLOOPER], the senior Senator from Oregon, and the Under Secretary of State, Mr. Dillion, to give them firm, final, and binding commitments. We could not do it, because that does not happen to be our system for international negotiations. It is their system. There was no doubt about the finality of their commitments, so far as the authority to commit was concerned. We were not in that position.

What we must do, in my judgment, if we are to make the Alliance for Progress work, is to give the maximum discretion to the President we can give under the checks and balance system. That is what the Mansfield amendment would do.

I make this statement tonight strongly urging the Senate to give support to the Mansfield amendment for the two reasons I have mentioned. I think justice and fairness to the Dominican Republic and to Argentina call for it. I think that the President of the United States has a right to have the discretion the amendment seeks to vest in him. Granting him that discretion I think will work to the best interests of the United States. I am satisfied that the President of the United States has demonstrated he can be trusted with the discretion which the Mansfield amendment would vest in him.

RECALL OF NONCOMBAT TROOPS FROM EUROPE

Mr. STENNIS. Mr. President, I was extremely gratified to learn yesterday that the Department of Defense has given orders for the recall from Europe of 7,500 noncombat support troops, and that a much larger long-term withdrawal is under consideration.

I have long been puzzled by the failure of the Department of Defense and the Department of the Army to get more divisions and other fighting manpower out of the number of available troops. As I have heretofore pointed out on the floor of the Senate, we lag far behind the Soviets and the West Germans in the utilization of available manpower and the one big reason is that we have employed fighting men in positions that could well be filled by civilians. I have been encouraged by the fact that the Department of Defense has been making a full scale study of this situation. This indicates that the very serious problem has been recognized and that efforts are underway to solve it.

I might add that the Preparadness Investigating Subcommittee, of which I am chairman, has also been making a study

Public Law 87-535
87th Congress, H. R. 12154
July 13, 1962

An Act

To amend and extend the provisions of the Sugar Act of 1948, as amended.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Sugar Act Amendments of 1962".

Sugar Act Amendments of 1962.

SEC. 2. Section 201 of the Sugar Act of 1948, as amended, is amended as follows: by striking out the last sentence thereof, all of the language following the phrase "in addition to the consumption, inventory, population, and demand factors above specified and the level and trend of consumer purchasing power," and by adding after such phrase the following language: "shall take into consideration the relationship between the price for raw sugar that he estimates would result from such determination and the parity index, as compared with the relationship between the average price of raw sugar during the three-year period 1957, 1958, and 1959, and the average of the parity indexes during such three years, with the view to attaining generally stable domestic sugar prices that will carry out over the long term the price objective previously set forth in this section; and in order that the regulation of commerce provided by this Act shall not result in excessive prices to consumers, the Secretary shall make such additional allowances as he deems necessary in the amount of sugar determined to be needed to meet requirements of consumers. The term 'parity index' as used herein shall mean such index as determined under section 301 of the Agricultural Adjustment Act of 1938, as amended, and as published monthly by the United States Department of Agriculture."

Annual consumption estimate.
61 Stat. 923.
7 USC 1111.

"Parity index."
7 USC 1301.

SEC. 3. Section 202 of such Act is amended to read as follows:

"SEC. 202. Whenever a determination is made, pursuant to section 201, of the amount of sugar needed to meet the requirements of consumers, the Secretary shall establish quotas, or revise existing quotas—

Quotas, establishment or revision.
65 Stat. 318.
7 USC 1112.

"(a)(1) For domestic sugar-producing areas, by apportioning among such areas five million eight hundred and ten thousand short tons, raw value, as follows:

76 STAT. 156.
76 STAT. 157.

"Area	Short tons, raw value
Domestic beet sugar	2,650,000
Mainland cane sugar	895,000
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	15,000
Total	5,810,000

"(2)(A) To the above total of five million eight hundred and ten thousand short tons, raw value, there shall be added an amount equal to 65 per centum of the amount by which the Secretary's determination of requirements of consumers in the continental United States for the calendar year exceeds nine million seven hundred thousand short tons, raw value. Such additional amount shall be apportioned between the domestic beet sugar area and the mainland cane sugar area on the basis of the quotas for such areas established under paragraph (1) of this subsection and the amounts so apportioned shall be added to the quotas for such areas.

"(B) Whenever the production of sugar in Hawaii, Puerto Rico, or in the Virgin Islands in any year subsequent to 1961 results in their being available for marketing in the continental United States in any year sugar in excess of the quota for such area for such year established under paragraph (1) of this subsection, the quota for the immediately following year established for such area under paragraph (1) of this

subsection shall be increased to the extent of such excess production: *Provided*, That in no event shall the quota for Hawaii, Puerto Rico, or the Virgin Islands, as so increased, exceed the quota which would have been established for such area at the same level of consumption requirements under the provisions of section 202(a) of the Sugar Act of 1948, as amended, in effect immediately prior to the date of enactment of the Sugar Act Amendments of 1962.

Supra.

"(b) For the Republic of the Philippines, in the amount of one million and fifty thousand short tons, raw value, of sugar.

"(c)(1) For the six-month period ending December 31, 1962, for foreign countries other than the Republic of the Philippines an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of (i) the quotas established pursuant to subsections (a) and (b) of this section, (ii) the amount of nonquota purchase sugar authorized for importation between January 1 and June 30, 1962, inclusive, pursuant to Sugar Regulation 820, and (iii) the quotas for foreign countries other than the Republic of the Philippines established by Sugar Regulation 811 for the six-month period ending June 30, 1962.

61 Stat. 923; Ante, p. 156. 7 USC 1111.

"(2) For the calendar years 1963 and 1964, for foreign countries other than the Republic of the Philippines, an amount of sugar, raw value, equal to the amount determined pursuant to section 201 less the sum of the quotas established pursuant to subsections (a) and (b) of this section.

76 STAT. 157.

76 STAT. 158.

"(3)(A) The quotas for foreign countries other than the Republic of the Philippines determined under paragraphs (1) and (2) of this subsection, less five thousand six hundred and sixty-seven short tons, raw value, for 1962 and less eleven thousand three hundred and thirty-two short tons, raw value, for 1963 and 1964, shall be prorated among such countries on the following basis:

"Country	Per centum
Cuba	57.77
Peru	6.71
Dominican Republic	6.71
Mexico	6.71
Brazil	6.37
British West Indies	3.19
Australia	1.41
Republic of China	1.24
French West Indies	1.06
Colombia	1.06
Nicaragua	0.88
Costa Rica	0.88
Ecuador	0.
India	0.
Haiti	0.
Guatemala	0.71
South Africa	0.71
Panama	0.53
El Salvador	0.36
Paraguay	0.35
British Honduras	0.35
Fiji Islands	0.35
Netherlands	0.35

"(B) For the six-month period ending December 31, 1962, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States the amount of sugar allocated to each in Sugar Regulation 811, issued December 11, 1961 (26 F.R. 11963). For the calendar years 1963 and 1964, Canada, United Kingdom, Belgium, and Hong Kong shall be permitted to import into the continental United States a total of thirteen hundred and thirty-two short tons of sugar, raw value, which amount shall be allocated

to such countries in amounts as specified in Sugar Regulation 811, as amended, issued March 31, 1961 (26 F.R. 2774);

"(C) For the six-month period ending December 1962, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate five thousand short tons. For the calendar years 1963 and 1964, the Secretary is authorized to allocate to foreign countries not enumerated in subparagraph (A) or (B) an amount of sugar, raw value, not exceeding in the aggregate ten thousand short tons. Each foreign country to which an allocation is made under the provisions of this subparagraph for any period or year shall be permitted to import into the continental United States the amount of sugar allocated to it by the Secretary.

76 STAT. 158.

"(4) Notwithstanding the provisions of paragraph (3) of this subsection, whenever the United States is not in diplomatic relations with any country named in paragraph (3) of this subsection and during such period after resumption of diplomatic relations with such country as the Secretary determines is required to permit an orderly adjustment in the channels of commerce for sugar, the proration or allocation provided for in paragraph (3) of this subsection shall not be made to such country, and a quantity of sugar not to exceed an amount equal to the proration or allocation which would have been made but for the provisions of this paragraph, may be authorized for purchase and importation from foreign countries, except that all or any part of such quantity need not be purchased from any country with which the United States is not in diplomatic relations, or from any country designated by the President whenever he finds and proclaims that such action is required in the national interest. In authorizing the purchase and importation of sugar from foreign countries under this paragraph, special consideration shall be given to countries of the Western Hemisphere and to those countries purchasing United States agricultural commodities.

76 STAT. 159.

"(5) Sugar authorized for purchase pursuant to paragraph (4) of this subsection shall be raw sugar, except that if the Secretary determines that the total quantity is not reasonably available as raw sugar from the countries either named or determined by the Secretary under paragraph (4) of this subsection, he may authorize for purchase for direct consumption from such countries such part of such quantity of sugar as he determines may be required to meet the requirements of consumers in the United States.

"(6) Sugar shall not be authorized for purchase pursuant to paragraph (4) of this subsection from any foreign country which imports sugar unless, in the preceding and current calendar year, its aggregate exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar.

"(d) Whenever in any year any foreign country with a quota or proration thereof of more than ten thousand short tons, raw value, fails to fill such quota or proration by more than ten per centum and at any time during such year the world price of sugar exceeds the domestic price, the quota or proration thereof for such country for subsequent years shall be reduced by an amount equal to the amount by which such country failed to fill its quota or proration thereof, unless the Secretary finds that such failure was due to crop disaster or force majeure or finds that such reduction would be contrary to the objectives of this Act. Any reduction hereunder shall be prorated in the same manner as deficits are prorated under section 204.

Post, p. 160.

"(e) If a foreign country imports sugar, it may not export sugar to the United States to fill its quota or proration thereof for any year unless, in both the preceding and current calendar years, its aggregate

exports of sugar to countries other than the United States equal or exceed its aggregate imports of sugar. If sugar is exported to the United States from any foreign country in any year in violation of this subsection (e), the quota or proration thereof for such foreign country for subsequent years shall be reduced by an amount equal to three times the lesser of (i) the amount of such country's excess of imports of sugar over its exports of sugar to countries other than the United States during the preceding or current calendar year, in whichever year an excess or the larger excess occurs, or (ii) the amount of sugar exported to the United States by such country to fill its quota or proration thereof during the calendar year in which the violation of this subsection (e) occurred.

76 STAT. 159.
76 STAT. 160.

"(f) The quota or proration thereof or purchase authorization established for any foreign country may be filled only with sugar produced from sugarbeets or sugarcane grown in such country."

Quota deficits, proration.
65 Stat. 319.
7 USC 1114.

SEC. 4. Section 204 of such Act is amended to read as follows:

"SEC. 204. (a) The Secretary shall from time to time determine whether, in view of the current inventories of sugar, the estimated production from the acreage of sugarcane or sugarbeets planted, the normal marketings within a calendar year of new-crop sugar, and other pertinent factors, any area or country will be unable to market the quota or proration for such area or country. If the Secretary determines that any domestic area or foreign country will be unable to market the quota or proration for such area or country, he shall revise the quota for the Republic of the Philippines and the prorations for foreign countries named in section 202(c)(3)(A) by prorating an amount of sugar equal to the deficit so determined to such countries without a deficit on the basis of the quota for the Republic of the Philippines and the prorations for such countries then in effect: *Provided*, That no part of any such deficit shall be prorated to any country not in diplomatic relations with the United States. If the Secretary determines that any foreign country will be unable to fill its share of any deficit determined under this section, he shall apportion such unfilled amount on such basis and to the Republic of the Philippines and such other foreign countries named in section 202(c)(3)(A) as he determines is required to fill any such deficit: *Provided*, That no such apportionment shall be made to any foreign country not in diplomatic relations with the United States. If the Secretary determines that neither the Republic of the Philippines nor the countries named in section 202(c)(3)(A) can fill all of any such deficit whenever the provisions of section 202(c)(4) apply, he shall add such unfilled amount to the quantity of sugar which may be purchased pursuant to section 202(c)(4), and whenever section 202(c)(4) does not apply he shall apportion such unfilled amount on such basis and to such foreign countries in diplomatic relations with the United States as he determines is required to fill such deficit.

Ante, p. 158.

Ante, p. 159.

"(b) The quota established for any domestic area or the Republic of the Philippines under section 202 shall not be reduced by reason of any determination of a deficit existing in any calendar year under subsection (a) of this section."

Ante, pp. 157, 158.

Quota allotments.
61 Stat. 926.
7 USC 1115.

SEC. 5. (a) Section 205(a) of such Act is amended by inserting in the second sentence thereof immediately after "sugarbeets or sugarcane" the following: ", limited in any year when proportionate shares were in effect to processings".

(b) Section 205(a) of such Act is further amended by inserting after the second sentence thereof the following new sentence: "The Secretary is also authorized in making such allotments, whenever there is involved any allotment that pertains to a new sugarbeet processing plant or factory serving a locality having a substantial

sugarbeet acreage for the first time or that pertains to an existing sugarbeet processing plant or factory with substantially expanded facilities added to serve farms having a substantial sugarbeet acreage for the first time, to take into consideration in lieu of or in addition to the foregoing factors of processing, past marketings, and ability to market, the need of establishing an allotment which will permit such marketing of sugar as is necessary for reasonably efficient operation of any such new processing plant or factory or expanded facilities during each of the first two years of its operation."

SEC. 6. Section 206 of such Act is amended to read as follows: Sugar-containing products.

"SEC. 206. The sugar or liquid sugar in any product or mixture, which the Secretary determines is the same or essentially the same in composition and use as a sugar-containing product or mixture which was imported into the United States during any three or more of the five years prior to 1960 without being subject to a quota under this Act, shall not be subject to the quota and other provisions of this Act, unless the Secretary determines that the actual or prospective importation or bringing into the United States or Puerto Rico of such sugar-containing product or mixture will substantially interfere with the attainment of the objectives of this Act: *Provided*, That the sugar and liquid sugar in any other product or mixture imported or brought into the United States or Puerto Rico shall be subject to the quota and other provisions of this Act unless the Secretary determines that the actual or prospective importation or bringing in of the sugar-containing product or mixture will not substantially interfere with the attainment of the objectives of this Act. In determining whether the actual or prospective importation or bringing into the United States or Puerto Rico of any sugar-containing product or mixture will or will not substantially interfere with the attainment of the objectives of this Act, the Secretary shall take into consideration the total sugar content of the product or mixture in relation to other ingredients or to the sugar content of other products or mixtures for similar use, the costs of the mixture in relation to the costs of its ingredients for use in the United States or Puerto Rico, the present or prospective volume of importations relative to past importations, and other pertinent information which will assist him in making such determination. Determinations by the Secretary that do not subject sugar or liquid sugar in a product or mixture to a quota, may be made pursuant to this section without regard to the rulemaking requirements of section 4 of the Administrative Procedure Act, and by addressing such determinations in writing to named persons and serving the same upon them by mail. If the Secretary has reason to believe it likely that the sugar or liquid sugar in any product or mixture will be subject to a quota under the provisions of this section, he shall make any determination provided for in this section with respect to such product or mixture in conformity with the rulemaking requirements of section 4 of the Administrative Procedure Act." 60 Stat. 238. 5 USC 1003.

SEC. 7. Section 207 of such Act is amended to read as follows: Direct-consumption sugar quotas.

"SEC. 207. (a) The quota for Hawaii established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 0.342 per centum of the Secretary's determination for such year issued pursuant to section 201. 7 USC 1117. Ante, p. 157.

"(b) The quota for Puerto Rico established under section 202 for any calendar year may be filled by direct-consumption sugar not to exceed an amount equal to 1.5 per centum of the Secretary's determination for such year issued pursuant to section 201: *Provided*, That one hundred and twenty-six thousand and thirty-three short tons, raw value, of such direct-consumption sugar shall be principally of crystalline structure. 61 Stat. 923; Ante, p. 156. 7 USC 1111.

"(c) None of the quota for the Virgin Islands for any calendar year may be filled by direct-consumption sugar.

"(d) Not more than fifty-six thousand short tons of sugar of the quota for the Republic of the Philippines for any calendar year may be filled by direct-consumption sugar as provided under section 201 of the Philippine Trade Agreement Revision Act of 1955.

69 Stat. 413.
22 USC 1372 and note.

"(e)(1) None of the proration established for Cuba under section 202(c)(3) for any calendar year and none of the deficit prorations and apportionments for Cuba established under section 204(a) may be filled by direct-consumption sugar.

Ante, p. 158.
Ante, p. 160.

"(2) The proration or allocation established for each foreign country which receives a proration or allocation of twenty thousand short tons, raw value, or less under section 202(c)(3), may be filled by direct-consumption sugar to the extent of the average amount of direct-consumption sugar entered by such country during the years 1957, 1958, and 1959. None of the proration or allocation established for each foreign country which receives a proration or allocation of more than twenty thousand short tons, raw value, under section 202(c)(3), may be filled by direct-consumption sugar. None of the deficit prorations and apportionments for foreign countries established under section 204(a) may be filled by direct-consumption sugar.

"(f) This section shall not apply with respect to the quotas established under section 203 for marketing for local consumption in Hawaii and Puerto Rico.

61 Stat. 925.
7 USC 1113.

"(g) The direct-consumption portions of the quotas established pursuant to this section, and the enforcement provisions of title II applicable thereto, shall continue in effect and shall not be subject to suspension pursuant to the provisions of section 408 of this Act unless the President acting thereunder specifically finds and proclaims that a national economic or other emergency exists with respect to sugar or liquid sugar which requires the suspension of direct-consumption portions of the quotas."

61 Stat. 933; Post, p. 166.
7 USC 1158.

Liquid sugar foreign quotas.

SEC. 8. Section 208 of such Act is amended to read as follows:

65 Stat. 319.
7 USC 1118.

"SEC. 208. A quota for liquid sugar for foreign countries for each calendar year is hereby established as follows: two million gallons of sirup of cane juice of the type of Barbados molasses, limited to liquid sugar containing soluble nonsugar solids (excluding any foreign substances that may have been added or developed in the product) of more than 5 per centum of the total soluble solids, which is not to be used as a component of any direct-consumption sugar but is to be used as molasses without substantial modification of its characteristics after importation, except that the President is authorized to prohibit the importation of liquid sugar from any foreign country which he shall designate whenever he finds and proclaims that such action is required by the national interest."

Prohibitions.
61 Stat. 928.
7 USC 1119.

SEC. 9. Section 209 of such Act is amended (1) by inserting before the last three words of subsection (a) the words "or proration"; (2) by inserting after the word "proration" in subsection (d) the words "or allocation" and by striking the period at the end of subsection (d) and inserting a semicolon in lieu thereof; and (3) by adding a new subsection (e) to read as follows:

"(e) From bringing or importing into the Virgin Islands for consumption therein, any sugar or liquid sugar produced from sugarcane or sugarbeets grown in any area other than Puerto Rico, Hawaii, or the continental United States."

Sugar exportation.
7 USC 1121.

SEC. 10. (a) Section 211(a) of such Act is amended by striking out the first two sentences thereof.

(b) Section 211(c) is amended to read as follows: "The quota established for any domestic sugar-producing area may be filled only with

sugar or liquid sugar produced from sugarbeets or sugarcane grown in such area."

SEC. 11. Section 212 of such Act is amended by inserting after "alcohol," in clause (4) thereof the following: "including all polyhydric alcohols,". 61 Stat. 929. 7 USC 1122.

SEC. 12. A new section 213 is added and inserted immediately after section 212 of such Act as follows: Import fee.

"SEC. 213. (a) An import fee established as provided in subsection (b) of this section shall be paid to the United States as a condition for importing into the continental United States sugar purchased pursuant to paragraph (4) of section 202(c) of this Act. Such fee shall be paid by the person applying to the Secretary for entry and release of sugar. Such payment shall be made in accordance with regulations promulgated by the Secretary. Ante, p. 159.

"(b) Whenever the Secretary determines that the currently prevailing price for raw sugar for the United States market exceeds the market price which he determines, from available information, prevails for raw sugar of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), he shall establish an import fee in such amount as he determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201, would exceed the market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c). Such fee shall be imposed on a per pound, raw value, basis, and shall be applied uniformly to sugar purchased pursuant to paragraphs (4) and (5) of section 202(c).

"(c) As a condition for importing sugar into the continental United States pursuant to paragraph (3) of section 202(c) and section 204(a) of this Act, an import fee shall be paid to the United States during the years 1962, 1963, and 1964, which fee in each such year shall be respectively 10, 20, and 30 per centum of the amount which the Secretary determines from time to time will approximate the amount by which a domestic price for raw sugar, at a level that will fulfill the domestic price objective set forth in section 201 would exceed either the prevailing market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff) of foreign countries which may be imported into the continental United States pursuant to paragraph (4) of section 202(c), or whenever paragraph (4) of section 202(c) does not apply, the prevailing world market price for raw sugar (adjusted for freight to New York, and most-favored-nation tariff). The fee provided for in this paragraph shall be imposed on a per pound, raw value, basis, and shall be applied uniformly, except that the import fee imposed on any direct-consumption sugar during the years 1962, 1963, and 1964, shall be respectively 0.1, 0.2, and 0.3 of one cent per pound more than the import fee imposed on raw sugar under this paragraph. Ante, pp. 158, 160. 61 Stat. 923; Ante, p. 156. 7 USC 1111.

"(d) The funds collected as import fees by the Secretary pursuant to the provisions of this section shall be covered into the Treasury as miscellaneous receipts."

SEC. 13. (a) Section 301(b) of such Act is amended by striking out the language "in excess of the proportionate share for the farm, as determined by the Secretary" and inserting in lieu thereof the language "in excess of the proportionate share for the farm, if farm proportionate shares are determined by the Secretary". Proportionate share production. 61 Stat. 929. 7 USC 1131.

(b) Section 302(a) of such Act is amended by striking out the language "for the farm, as determined by the Secretary," and inserting 7 USC 1132.

in lieu thereof the language "for the farm, if farm proportionate shares are determined by the Secretary,".

61 Stat. 930. 7 USC 1132.

(c) Section 302(b) of such Act is amended to read as follows:

"(b)(1) Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota, and provide a normal carryover inventory, as estimated by the Secretary for such area for the calendar year during which the larger part of the sugar from such crop normally would be marketed, he shall establish proportionate shares for farms in such area as provided in this subsection. In determining the proportionate shares with respect to a farm, the Secretary may take into consideration the past production on the farm of sugarbeets and sugarcane marketed (or processed) for the extraction of sugar or liquid sugar (within proportionate shares when in effect) and the ability to produce such sugarbeets or sugarcane.

"(2) The Secretary may also, in lieu of or in addition to the foregoing factors, take into consideration with respect to the domestic beet sugar area the sugarbeet production history of the person who was a farm operator in the base period, in establishing farm proportionate shares in any State or substantial portion thereof in which the Secretary determines that sugarbeet production is organized generally around persons rather than units of land, other than a State or substantial portion thereof wherein personal sugarbeet production history of farm operators was not used generally prior to 1962 in establishing farm proportionate shares. In establishing proportionate shares for farms in the domestic beet sugar area, the Secretary may first allocate to States (except acreage reserved) the total acreage required to enable the area to meet its quota and provide a normal carryover inventory (hereinafter referred to as the 'national sugarbeet acreage requirement') on the basis of the acreage history of sugarbeet production and the ability to produce sugarbeets for extraction of sugar in each State.

"(3) In order to make available acreage for growth and expansion of the beet sugar industry, the Secretary, in addition to protecting the interest of new and small producers by regulations generally similar to those heretofore promulgated by him pursuant to this Act, shall reserve each year from the national sugarbeet acreage requirement established by him the acreage required to yield 65,000 short tons, raw value, of sugar. The acreage so reserved shall be distributed on a fair and reasonable basis, when it can be utilized, to farms without regard to any other acreage allocations to States or areas within States determined by him and shall be withheld from such other allocations until it can be so utilized: *Provided, however*, That beginning with 1966, the total acreage previously reserved and not used, plus that reserved in the current year, shall not exceed the acreage required to produce 100,000 short tons, raw value, of sugar. At the time the Secretary distributes the sugarbeet acreage reserve for any year, which determination of distribution shall be made as far in advance of such year as practicable, such distribution shall thereby be committed to be in effect for the year in which production of sugarbeets is scheduled to commence in a locality or localities determined by the Secretary to receive such reserves for such year, such determination of distribution by the Secretary shall be final, and such commitment of the sugarbeet acreage reserve shall be irrevocable upon issuance of such determination of the Secretary by publication in the Federal Register; except that if the Secretary finds in any case that construction of sugarbeet processing facilities and the contracting for processing of sugarbeets has not proceeded in substantial accordance with the representations made to him as a basis for his determination of distribution

Publication in F. R.

of the sugarbeet acreage reserve, he shall revoke such determination in accordance with and upon publication in the Federal Register of such findings. In determining distribution of the sugarbeet acreage reserve and whenever proposals are made to construct sugarbeet processing facilities in two or more localities where sugarbeet production is scheduled to commence in the same year, the Secretary shall base his determination and selection upon the firmness of capital commitment, suitability for growing sugarbeets, the proximity of other mills, need for a cash crop or a replacement crop, and accessibility to sugar markets, and the relative qualifications of localities under such criteria. Whenever there is no interest in constructing a new facility to commence production in a certain year, the Secretary shall give consideration to proposals, if any, to substantially expand existing factory facilities and in such event he shall base his determination of distribution of the sugarbeet acreage reserve on the aforementioned criteria and the extent of the proposed substantial expansion or expansions. If proportionate shares are in effect in the two years immediately following the year for which the sugarbeet acreage reserve is committed for any locality, the acreage of proportionate shares established for farms in such locality in each of such two years shall not be less than the smaller of the acreage committed to such farms or the acreage required to yield 50,000 short tons, raw value, of sugar based upon the yield expectancy initially considered by the Secretary in distributing the sugarbeet acreage reserve to such locality. Publication in F. R.

"(4) The allocation of the national sugarbeet acreage requirement to States for sugarbeet production, as well as the distribution of the sugarbeet acreage reserve, shall be determined by the Secretary after investigation and notice and opportunity for an informal public hearing.

"(5) In determining farm proportionate shares, the Secretary shall, insofar as practicable, protect the interests of new producers and small producers and the interest of producers who are cash tenants, share tenants, adherent planters, or sharecroppers and of the producers in any local producing area whose past production has been adversely, seriously, and generally affected by drought, storm, flood, freeze, disease, insects, or other similar abnormal and uncontrollable conditions.

"(6) Whenever the Secretary determines it necessary for the effective administration of this subsection in an area where farm proportionate shares are established in terms of sugarcane acreage, he may consider acreage of sugarcane harvested for seed on the farm in addition to past production of sugarcane for the extraction of sugar in determining proportionate shares as heretofore provided in this subsection; and whenever acreage of sugarcane harvested for seed is considered in determining farm proportionate shares, acreage of sugarcane harvested for seed shall be included in determining compliance with the provisions of section 301(b) of this Act, notwithstanding any other provisions of section 301(b).

"(7) For the purposes of establishing proportionate shares hereunder and in order to encourage wise use of land resources, foster greater diversification of agricultural production, and promote the conservation of soil and water resources in Puerto Rico, the Secretary, on application of any owner of a farm in Puerto Rico, is hereby authorized, whenever he determines it to be in the public interest and to facilitate the sale or rental of land for other productive purposes, to transfer the sugarcane production record for any parcel or parcels of land in Puerto Rico owned by the applicant to any other parcel or parcels of land owned by such applicant in Puerto Rico."

Collection of fees.
7 USC 1154.

SEC. 14. Section 404 of such Act is amended by inserting ", fees" after the word "penalties" in the second sentence thereof.

Presidential authority.
7 USC 1158.

SEC. 15. Section 408 of such Act is amended by striking out all of subsection (b) thereof and inserting the following new subsections (b) and (c):

"(b) In the event the President, in his discretion, determines that any foreign country having a quota or receiving any authorization under this Act to import sugar into the United States, has been or is allocating the distribution of such quota or authorization within that country so as to discriminate against citizens of the United States, he shall suspend the quota or other authorization of that country until such time as he has received assurances, satisfactory to him, that the discrimination will not be continued. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a), whichever procedure is applicable.

Ante, pp. 159, 160.

"(c) In any case in which the President determines that a nation or a political subdivision thereof has hereafter (1) nationalized, expropriated, or otherwise seized the ownership or control of the property of United States citizens or (2) imposed upon or enforced against such property or the owners thereof discriminatory taxes or other exactions, or restrictive maintenance or operational conditions not imposed or enforced with respect to property of a like nature owned or operated by its own nationals or the nationals of any government other than the Government of the United States, and has failed within six months following the taking of action in either of such categories to take steps determined by the President to be appropriate and adequate to remedy such situation and to discharge its obligations under international law toward such citizens, including the prompt payment to the owner or owners of such property so nationalized, expropriated, or otherwise seized, or to arrange, with the agreement of the parties concerned, for submitting the question in dispute to arbitration or conciliation in accordance with procedures under which a final and binding decision or settlement will be reached and full payment or arrangements with the owners for such payment made within twelve months following such submission, the President shall suspend any quota, proration of quota, or authorization to purchase and import sugar under this Act of such nation until he is satisfied that appropriate steps are being taken. Any quantity so suspended shall be authorized for purchase in accordance with the provisions of section 202(c)(4), or apportioned in accordance with section 204(a) whichever procedure is applicable."

Extension of program.
7 USC 1101 note.

SEC. 16. Section 412 of such Act (relating to termination of the powers of the Secretary under the Act) is amended by striking out "June 30" and inserting in lieu thereof "December 31" and by striking out "1962" in each place it appears therein and inserting in lieu thereof "1966".

Repeal.
7 USC 1101 note.

SEC. 17. Section 413 of such Act (relating to the effective date of the Sugar Act of 1948 and the termination of the powers of the Secretary under the Sugar Act of 1937) is repealed.

75 Stat. 40.
26 USC 4501.

SEC. 18. (a) Section 4501(c) (relating to termination of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" in each place it appears therein and inserting in lieu thereof "June 30, 1967".

26 USC 6412.

(b) Section 6412(d) (relating to refund of taxes on sugar) of the Internal Revenue Code of 1954 is amended by striking out "December 31, 1962" and inserting in lieu thereof "June 30, 1967" and by striking out "March 31, 1963" and inserting in lieu thereof "September 30, 1967".

SEC. 19. (a) Except as otherwise provided, the amendments made by this Act shall become effective January 1, 1962. Effective dates.

(b) The amendments made by section 6 and section 12 of this Act shall each become effective on the date stated in regulations implementing each of such sections and published in the Federal Register, or sixty days after the date of enactment of this Act, whichever is earlier. Publication in F. R.

Approved July 13, 1962.

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